United Motors Lanka PLC

Annual Report 2014/15

The things that matter

Contents

The things that matter

Quality, service, value, sustainability…

At United Motors we constantly strive to understand what our thousands of customers are looking for. For over 67 years, we have been building a great brand, a great company and a great reputation for quality, service and value. Today, our focus is on keeping our environmental obligations at the forefront of our consciousness, constantly fostering an awareness of our responsibilities towards the planet and the communities we impact every day, at every level of operation.

This report brings you a detailed analysis of our triple bottom line performance for the year under review as we continue to build our reputation for eco friendly business operations. Creating sustainable value for all our stakeholders remains our priority both now and into the years that lie ahead. Because we know the things that matter to us. They are what matter to you.

History

The Company was incorporated in 1945 as a Private Limited Liability Company. It was vested with the Government on 8 March 1972 and carried on operations as the Government Owned Business Undertaking (GOBU) of United Motors. In 1985, the Company entered into a distributor agreement with Mitsubishi Motors Corporation, Japan and has since then been the sole distributor for brand new Mitsubishi vehicles in Sri Lanka. In 1989 the Company was selected as the first Government venture for 'Peoplisation' with the intention of broadening its ownership amongst the public. Accordingly, on 9 May 1989, the Company was renamed as United Motors Lanka Limited and incorporated as a Public Limited Liability Company. On 30 August 2007, the Company was re-registered under the new Companies Act No. 07 of 2007 as United Motors Lanka PLC. Since becoming a Public Limited Liability Company, United Motors has achieved remarkable results and is a leading blue-chip company in Sri Lanka today.

Vision

To be the best company in Sri Lanka through diversification whilst maintaining the leadership position in the transport industry.

Mission

To delight and make lifelong relationships with our customers by providing high quality products, services and transport solutions using state-of-the-art technology and developing a team of people who are committed to excellence with the highest level of integrity through a corporate culture that encourages participative management to create a socially responsible corporate entity, whilst ensuring optimum returns to shareholders.

Values

Our customers and our business: we believe in being customer oriented and possess a policy of providing first place to the customer. Customer needs drive our choice of products and services and the way we deliver them.

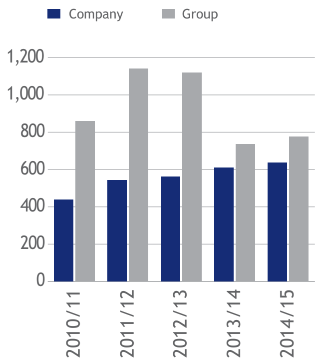
Our people are our most valuable asset: we will retain and develop quality people committed to working as a team to fulfil our corporate mission. We will provide our staff with the opportunity to realise their full potential and cultivate their abilities to the utmost. Whilst individual initiative and performance are recognised, all are identified with the success of the company and a winning attitude prevails.

Our style of management will encourage employee involvement and a positive work attitude: we will utilise our resources effectively to maintain a superior quality of service by following a policy of continuous improvement, openness to change, search for better ways, speed of action, hard work and an aggressive determination to get things done, which will characterise our attitude towards every aspect of our work.

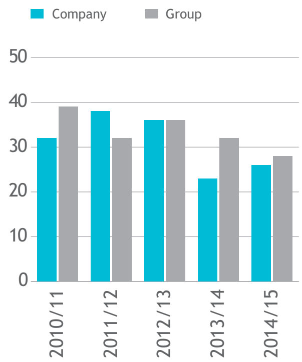
Our principals / suppliers are essential to our business: we will pursue a confident and mutually beneficial relationship. We will deal fairly and impartially and provide principals, suppliers and their accredited agents with timely advice of future requirements and quality expectations.

Our company is a responsible member of our community: we believe that our success and growth will contribute to the quality of life of our people and towards this end we will work in harmony with nature and would seek to eliminate all forms of pollution.

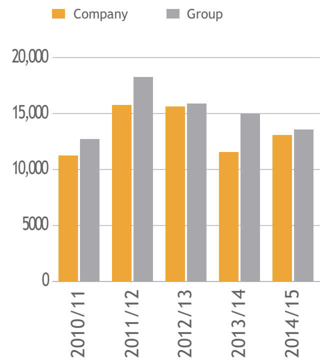
No. of Employees



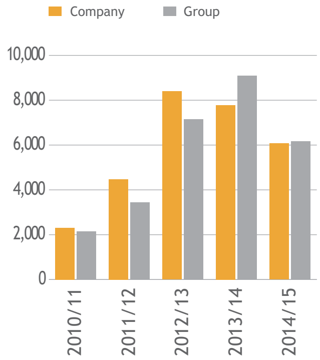
Debtors Collection Period
(Days)



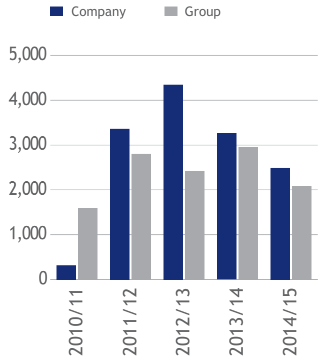
Turnover per Employee
(Rs.'000)



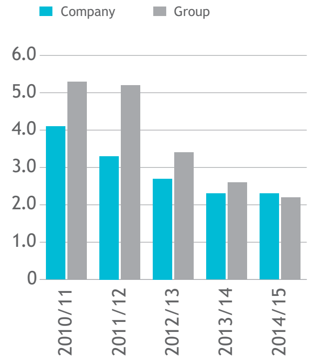
Value Added per Employee
(Rs.'000)



PBT per Employee
(Rs.'000)

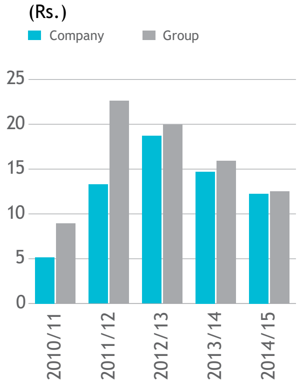


Inventory Turnover
(Times)

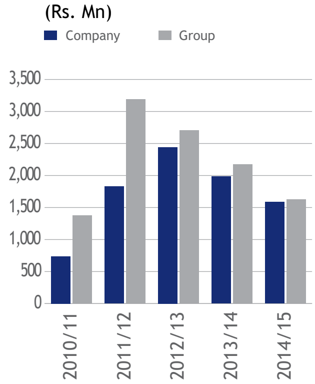


Operational Highlights

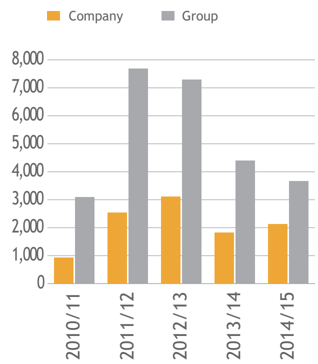
Earnings Per Share
(Rs.)



Profit Before Tax
(Rs. Mn)



No. of Vehicles Sold

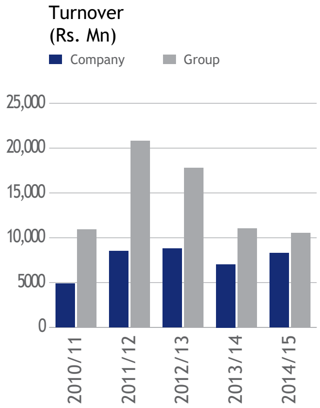


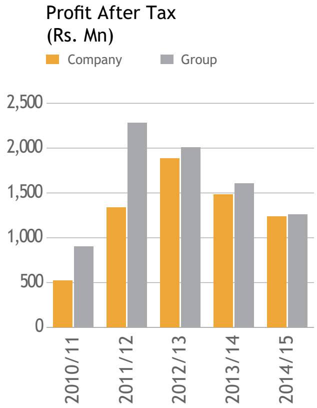
Financial Highlights

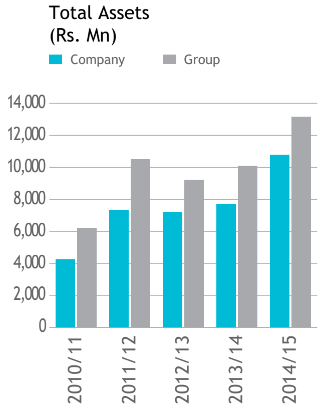
	Group			Company		
	2014/2015	2013/2014 Restated	Change %	2014/2015	2013/2014	Change %
PROFITABILITY (Rs.'000)						
Turnover	10,538,194	11,040,794	(4.55)	8,316,203	7,041,192	18.11
Profit before tax	1,625,881	2,174,345	(25.22)	1,586,165	1,984,058	(20.05)
Profit attributable to equity holders of the parent	1,262,332	1,607,721	(21.48)	1,236,867	1,482,765	(16.58)
FINANCIAL POSITION (Rs.'000)						
Investment in PPE and intangible assets	141,639	862,251	(83.57)	139,267	753,442	(81.52)
Non-current assets	5,868,063	4,391,515	33.62	5,388,705	3,934,477	36.96
Current assets	7,281,121	5,685,356	28.07	5,392,161	3,782,725	42.55
Current liabilities	2,532,239	1,805,828	40.23	1,665,376	919,547	81.11
Non-current liabilities	181,374	173,866	4.32	152,919	150,121	1.86
Shareholders' funds	10,435,571	8,097,177	28.88	8,962,571	6,647,534	34.83
RATIO						
Interest cover (times)	20.74	33.55	(38.18)	49.06	51.30	(4.37)
Profit before tax to revenue (%)	15.43	19.69	(21.64)	19.07	28.18	(32.33)
Return on capital employed (%)	12.10	19.86	(39.07)	13.80	22.31	(38.14)
Dividend cover (times)	-	-	-	2.04	1.70	20.00
Borrowings to equity (%)	11.68	11.25	3.82	6.40	3.64	75.82
Current ratio	2.88	3.15	(8.57)	3.24	4.11	(21.17)
Quick asset ratio	1.32	1.31	0.76	1.44	1.79	(19.55)
SHARE PERFORMANCE						
Number of shares ('000)	100,901	67,267	50.00	100,901	67,267	50
Earnings per share (Rs.)*	12.51	15.93	(21.47)	12.26	14.70	(16.60)
Dividend per share (Rs.)**	-	-	-	8.00	13.00	(38.46)
Dividend yield (%)	-	-	-	9.08	10.57	(14.10)
Dividend payout (%)	-	-	-	65.26	88.44	(26.21)
Net assets per share as at 31 March (Rs.)*	103.42	80.25	28.87	88.83	65.88	34.84
Market value per share as at 31 March (Rs.)	-	-	-	88.10	123.00	(28.37)
Price earning ratio	-	-	-	7.19	8.37	(14.10)
Market capitalization as at 31 March (Rs.'000)	-	-	-	8,889,345	8,273,851	7.44
Highest recorded share price (Rs.)	-	-	-	107.00	130.00	(17.69)

* Net assets per share and Earnings per share have been calculated for all periods based on the number of shares in issue as at 31 March 2015

** Dividend per share represents the per share value at the point of payment







Our Energy Efficient Products

Our group has a number of products which are energy efficient and environmentally responsible.

The Mitsubishi Attrage and Mirage are high fuel efficient vehicles requiring lesser burning of fossil fuels with some components being manufactured using recycled, eco-friendly materials.

The Mitsubishi Outlander Plug-in Hybrid Electric Vehicle (PHEV) was also launched this year. This vehicle can be charged using household electricity and simultaneously works as a petrol hybrid. With its silent engine, low emission levels and aerodynamic design, the Outlander has paved the path for the future of transportation.

Our subsidiary UNIMO will be launching the Perodua Axia later this year. This vehicle is Malaysia's first Energy Efficient Vehicle (EEV).

Valvoline Nextgen engine oil is both technologically advanced and environmentally responsible, using 50% re-refined base stock and advanced additive chemistry.

Yokohama introduced the BluEarth tyre which has been specifically designed for the passenger car range. The tyre enhances fuel efficiency by adopting a low heat generating compound which suppresses heat generation in the tyre.

2014

WINNER OF THE HIGHEST SALES VOLUME AWARD AT THE RECENTLY CONDUCTED VALVOLINE SOUTH EAST ASIA CONFERENCE

May

Fuso Service Campaign

UML continued to conduct free service campaigns for Fuso Trucks & Buses. This campaign was conducted at the newly constructed Fuso workshop in Orugodawatte with the participation of Japanese technicians.

June

Mitsubishi Service Campaign Orugodawatte

Mitsubishi continued vehicle care clinics free of charge for vehicle owners at the Orugodawatte workshop.

July

Home and You

The company displayed vehicles at the exhibition which was conducted over a three day period at the BMICH with a view to create awareness to the large crowd that visited the exhibition.

October

Colombo Motor Show

The company participated at the Colombo Motor show organised by Asia Exhibitions at BMICH. The Mitsubishi, Perodua, Zotye, MG, JMC and DFSK range of vehicles were on display.

UML WON THE ANNUAL REPORT GOLD AWARD IN THE MOTOR COMPANY SECTOR FOR THE 7TH SUCCESSIVE YEAR

November

Better Air Quality Conference

The company took part in the Integrated Conference of BAQ and Inter governmental 8th Regional Environmental Sustainable Transport Forum in Asia organised by the Ministry of Transport of Sri Lanka, by displaying the Plug in Hybrid Electric Vehicle (Mitsubishi Outlander).

December

Annual Report Awards

The company participated in the Annual Report Competition, conducted by The Institute of Chartered Accountants of Sri Lanka, and won the gold award in the motor sector for the 7th successive year.

November

Highest Sales Volume Award for Valvoline

UML received the award for the Highest Sales Volume in 2013/14 at the recently conducted Valvoline South East Asia Conference which was held in Mumbai, India.

Milestones

1945
Incorporation of United Motors Limited as a Private Limited Liability Company.

1972
Vested in the Government on 8 March. Began operating as the Government Owned Business Undertaking of United Motors.

1985
Entered into a distributor agreement with Mitsubishi Motors Corporation (MMC).

1989
Selected as the first Government venture for peoplisation with the intention of encouraging a widespread share ownership among the people.

May
United Motors Lanka Limited was incorporated as a Public Limited Liability Company with an authorised share capital (now referred to as stated capital) of Rs. 100,000,000/-.

June
MMC agrees to purchase 500,000 shares at par, prior to the sale of shares to the public.

June
Announcement of the Public Share Issue. Out of 10,000,000 shares offered, 500,000 (5%) shares were reserved for employees.

1990
October
Distribution of shares to employees.

1993
Employees' Share Trust Scheme - an incentive scheme linked to employee share participation was inaugurated. Capital increased by Rs. 10 Mn, to allocate shares to employees.

1994
Incorporation of a subsidiary - UML Property Developments Ltd., for the construction of a warehouse complex on a five acre block at Orugodawatte.

1995
September
Celebrated 50 years of excellence.

1996
September
The new showroom was opened at the Hyde Park Corner Head Office premises.

1997
November
Kancil cars - made in Malaysia by Perodua were introduced.

1998
January
Montero, the 'King of the Road' was launched.

1999
July
The Orugodawatte Complex was opened.

December
Branch office opened in Kurunegala.

2000
October
Launch of website: http://www.unitedmotors.lk

2002
October
Acquisition of Unimo Enterprises Limited

November
Opening of a new showroom at Lipton Circus, Colombo 2.

2003
April
UML acquired 50% interest in TVS Lanka (Pvt) Ltd.

June
Incorporation of TVS Auto Parts (Pvt) Ltd. (a subsidiary of TVS Lanka (Pvt) Ltd.)

2004
September
The Yokohama launch.

2005
May
The Mitsubishi Lancer Evolution IX - heir to a winning tradition was launched in Sri Lanka.

2006
January
Unimo Enterprises Ltd launched a range of Chinese vehicles.

November
Launch of the new Mitsubishi Sportero.

December
Launch of 'Adyapana Athwela' scholarship scheme for children of UML staff.

2007
January
Introduced 'Kenari' from the Perodua range.

February
Launch of the 2007 Mitsubishi Montero.

March
TVS Lanka (Pvt) Ltd. signed a distributor agreement with Bharat Petroleum Corporation of India.

June
Unimo Enterprises Ltd. added the JMC cab to its vehicle portfolio.

August
The Company was re-registered as United Motors Lanka PLC.

September
Opened a branch for spare part sales in Kandy.

November
The Company added the Mitsubishi L200 single cab to its portfolio.

December
Unimo Enterprises Ltd added Zotye Nomad to its vehicle portfolio.

2008
February
Mitsubishi Lancer Evolution X - the heir to a winning tradition was introduced in Sri Lanka.

March
Incorporation of TVS Automotives (Pvt) Ltd as a fully owned subsidiary of TVS Lanka (Pvt) Ltd.

May
First branch with comprehensive facilities under one roof was opened in Anuradhapura.

August
Unimo Enterprises Ltd added the Perodua Viva to its product portfolio.

2009
January
Branch with sales and workshop facilities opened in Kandy.

November
TVS Lanka (Pvt) Ltd, launched the TVS King three wheeler in Sri Lanka.

December
A branch with comprehensive facilities under one roof was opened in Matara. Unimo Enterprises Ltd opened a local assembly facility within the Orugodawatte Workshop Complex to assemble the Zotye Nomad SUV.

2010
May
The Company added the Mitsubishi Outlander with the new face lift to its portfolio.

December
The Company increased the number of shares by way of a share split on the basis of two new ordinary shares for every existing issued ordinary share.

2011

January
The Company added the new Mitsubishi Montero Sport to its portfolio.

February
OMCL added the DFSK Mini truck brand to its portfolio.

February
The Company divested the 100% ownership in the subsidiary, Orient Financial Services Corporation Ltd.

March
The Company added the Mitsubishi Delica D5 to its portfolio.

The Company added the new Mitsubishi Canter 14 ft (4WD), 10 ft and the 22 ft FM trucks to its range of products.

May
A branch was opened in Ratnapura with sales and workshop facilities to cater to UML, UEL and OMCL brands.

June
The company added the Mitsubishi ASX to its portfolio.

July
TVS Lanka launched “WEGO” to the local market. This was the latest addition to the TVS scooter range. The uniqueness of this scooter is it’s body balance technology where the gravity of the bike is right at the centre which gives a better balance for the rider.

August
The company added Mitsubishi Outlander 2.0L to its portfolio.

October
Unimo Enterprises Limited together with Orient Motor Company opened its first branch in Kelaniya.

December
The company was awarded a citation for order intake development from Mitsubishi Fuso Truck and Bus Corporation Japan for the FUSO brand.

2012

January
A branch with sales and workshop facilities opened in Jaffna to cater to UML, UEL and OMCL brands.

The group achieved its highest ever profit in the financial year.

2013

United Motors Lanka PLC earned its highest ever profit after tax.

LMD 100 in its listing of public companies for the financial year 2011/12 rated United Motors Lanka PLC at number 29, up from number 38 in the previous year.

Business Today listed United Motors Lanka PLC as number 20 in its Business Today Top 25 for 2011/12.

May
A workshop was opened in Kandy to cater to UML, UEL and OMCL brands.

June
A sales showroom was opened in Ratnapura for UEL brands.

A sales showroom was opened in Badulla for UEL brands.

September
A sales showroom was opened in Vauxhall Street, Colombo 2 for the new Fuso Business.

The company added heavy duty Fuso trucks to its portfolio.

October
United Motors was ranked amongst the top 100 corporates in Sri Lanka across all industries in 2012/13 by LMD.

November
United Motors was ranked among the top 25 companies in Sri Lanka across all industries by Business Today, in 2012/13.

2014

January
The company added the Mitsubishi Outlander 2014 to its portfolio.

February
The company added the Mitsubishi Attrage the latest sedan by Mitsubishi Motors Corporation to its portfolio.

March
Unimo Enterprises Ltd opened its assembly plant in Ranala.

The legendary brand MG launched by Unimo Enterprises Ltd.

2014/2015

2014

June
A sales showroom was opened in Lipton Circus for MG vehicles.

August
The company added the DFSK Unimo Lokka facelift to its portfolio.

Mr. Gihan Pilapitiya - General Manager Vehicle Sales, of United Motors was appointed Chairman Ceylon Motor Traders Association.

OMCL added the DFSK Unimo Lokka facelift to its portfolio.

The company added the New Mitsubishi Montero facelift to its portfolio.

October
Controlling interest in the Jointly Controlled Entity TVS Auto Parts was sold.

November
Yokohama added BluEarth an environmentally friendly tyre to its portfolio.

The company added the Mitsubishi Outlander facelift to its portfolio.

Valvoline was awarded for its outstanding sales performance in South East Asia at the Valvoline South East Asia Conference in Mumbai.

2015

January
The Valvoline Division added a range of environmentally friendly lubricants and car care products to its portfolio.

The company added the New Mitsubishi Lancer EX 2L to its portfolio.

February
The company added the New Mitsubishi ASX facelift to its portfolio.

Sunil G. Wijesinha
Chairman

The Sri Lankan economy recorded a GDP growth of 7.4% in 2014

According to the IMF, global growth in 2014 was lower than initially expected.

There is a groundswell of support for greening businesses in Sri Lanka and around the world.

THE YEAR WAS CHALLENGING IN MORE WAYS THAN ONE

Chairman's Message

I take pleasure in welcoming you to the 26th annual general meeting and placing before you the audited financial statements for the financial year 2014/15. The year was challenging in more ways than one, but it also served to underscore the strong fundamentals inherent in the UML Group. The Group succeeded in holding its own despite being subjected to severe industry and policy pressures which were outside its control. As a result of these externally imposed constraints, the Group was unable to exploit several opportunities which presented themselves during the year, against a background that was otherwise unfavourable for the motor vehicle industry as a whole.

ECONOMIC OVERVIEW

The Sri Lankan economy recorded a GDP growth of 7.4% in 2014 in comparison to 7.2 % in 2013, although it was sharply down from the forecast 7.8 %. The growth was supported strongly by investment and consumption activities. The Services sector, which represents 57.6% of GDP, grew marginally in 2014, while Industry sector growth, bolstered by manufacturing and construction activity, accelerated to 11.4%, -enhancing its share in the national output to 32.3% in 2014. Beset by adverse weather conditions, the Agriculture sector, which represented 10.1% of GDP, contributed only marginally to real GDP growth. Inflation remained at low single digit levels throughout 2014. Further, exports grew at a healthy rate in 2014 supported by improved external demand along with a stable domestic macro-economic environment. Meanwhile, the Sri Lankan Rupee remained relatively stable during 2014, supported by regular policy intervention, while the interest rates too remained low. Overall, the conditions were conducive for business activity. Growth continues to be dominated by domestic market activities - the four sectors of transport, construction, wholesale & retail trade, and banking, insurance & real estate, have contributed to half of all economic growth since the end of the war in 2009. These dynamic domestic market sectors are certainly beneficial to the UML Group. Yet, it remains to be seen whether this domestic economy-led growth, rather than export-led growth, can sustain higher rates of overall economic growth for Sri Lanka in the medium to longer-term.

According to the IMF, global growth in 2014 was lower than initially expected. Global crude oil prices edged lower in 2014. The dip in global oil prices are having an adverse impact on oil exporting nations, several of which are key export markets for Sri Lanka. As a result, while the drop in oil prices is beneficial for individuals and businesses in Sri Lanka, policymakers need to be mindful of the repercussions on oil revenue dependent countries and the knock effects on Sri Lanka's exports.

INDUSTRY PERFORMANCE

Casting a glance at the vehicle industry during the period under review, the number of new vehicles registered during 2014 increased by 31.5% to 429,556, following a decrease of 18% in the previous year. The increment could be largely attributed to the favourable interest rates on leasing facilities, the depreciation of the Japanese Yen against the Sri Lankan

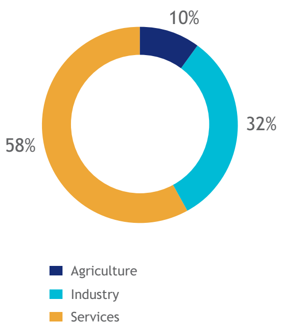
CASTING A GLANCE AT THE VEHICLE INDUSTRY DURING THE PERIOD UNDER REVIEW, THE NUMBER OF NEW VEHICLES REGISTERED DURING 2014 INCREASED BY 31.5% TO 429,556

Rupee, the increased imports of hybrid vehicles to the market and the rise in the registration of motor cycles, according to the Central Bank of Sri Lanka. The number of cars registered increased by 36.6% while the registration of three-wheelers declined by 5.5% during 2014.

There is a groundswell of support for greening businesses in Sri Lanka and around the world. Issues such as the use of renewable energy and energy efficient technology are growing in importance and have not escaped our attention. We have taken these trends on-board and are now proud to offer a portfolio of energy efficient automotive technology products and green cars for the environment-conscious customer. The industry has witnessed a massive increase in the import of hybrid vehicles as a result of the preferential duties granted for this category of vehicles. We applaud the government's initiative to grant duty concessions to hybrid and electric cars, a policy which will have beneficial results for the environment. It is imperative that the duty structure remains consistent for a reasonable period of time so that importers and even users could make longer term plans. While we accept that the Government has to monitor and take corrective action if they notice unintended consequences of such policy changes, the Government could make better use of estimation models to forecast the impact of such policies before embarking on a policy change rather than making changes or reversing policies within a short time frame. Wider discussion with different stakeholders too would be greatly beneficial in making or changing policies.

At the time of writing this review, the medium-term policy framework of the government that came into power at the beginning of the year is unclear. The business community is operating in a climate of severe policy uncertainty as it awaits a clearer direction prior to pursuing further investment. With regard to our company, the uncertainty over the fate of some large infrastructure projects has reduced the demand for industrial vehicles, which has impacted our commercial vehicle segment in an adverse manner. The taxation measures introduced in the interim budget has indirectly affected the market for our products, especially the commercial vehicles.

Composition of GDP 2014



We believe that following the Parliamentary Elections, the situation is likely to stabilise, allowing the private sector to take a longer-term view. On the whole, the interim Government's focus on reducing corruption and waste, and re-examining infrastructure projects to ensure transparency and cost efficiency, is welcome. More transparent and cleaner Government processes are bound to have a positive impact on foreign direct investments. Better relations with developed countries may result in more economic activities being initiated in Sri Lanka by those countries. These will bring in substantial benefits to the economy and thereby to our business as well.

National economic growth depends on an efficient road, transport and logistics network, which in turn boosts growth across the country. Therefore, we are hopeful that the policies on infrastructure development will continue and projects that have been temporarily stalled will get back on track.

OUR PERFORMANCE

The Group suffered a setback during the financial year under review as a result of our inability to cater to the demand for our products as some manufacturers focused their attention on new development. As a result of these supply constraints, the company was unable to capitalise on the market potential. Although we forged new alliances to ensure an uninterrupted supply in the future, the new products will take time to accrue returns.

The Group revenue was Rs. 10.5 Bn which was a decline of 4.5% compared to the previous year. Net profit after tax was Rs. 1.26 Bn for the year under review and was a decline of 21.5% compared to the previous year. However we are pleased to announce the declaration of a final dividend for 2014/15 of Rs. 4 per share.

In the annual report last year, I spoke about improving the performance of the Group's underperforming subsidiaries and during the year under review, we disposed of the loss making TVS Auto Parts (Pvt) Ltd., as we realised that it was a business that didn't fit well with our business model, and did not fulfil our profit expectations. At the same time, we managed to

turnaround the loss making TVS Automotives (Pvt) Ltd. The new business model it is operating on now, and with the new business processes in place, we believe it will have a promising future.

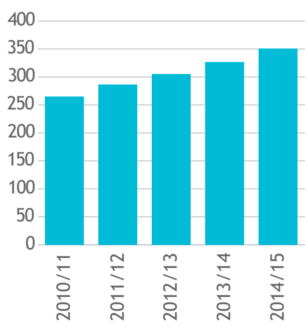
During the year, we further focused on improving the performance of our joint venture company, TVS Lanka (Pvt) Ltd. A change of management and closer cooperation with Principals coupled with a new marketing strategy has resulted in the performance of the company improving substantially.

Our innovative customer service programme was sustained through this financial year too and delivered rich returns by way of enhanced customer care standards and greater customer satisfaction. We intend to develop and engage employees in an on-going manner, so that the Group becomes known as a centre of excellence in customer care. We continued to train and engage employees in improving quality and productivity, which culminated in the company being awarded the Bronze award at the National Productivity Awards, which is organised under the auspices of the then Ministry of Productivity Promotion. We are single-minded in our pursuit of improving productivity of our systems and processes, enhancing the quality of products and services and delivering superior customer service, which make up the key pillars of our business model.

APPRECIATION

I would like to conclude by expressing my gratitude and appreciation to our shareholders customers, suppliers, principals, joint venture partners and all the other stakeholders who worked closely with us over what was a difficult year. I thank the staff of UML who worked hard to battle the challenges during the year.

GDP
(Rs. Bn)



Finally, I place on record my special appreciation of the support and guidance provided by my colleagues on the Board, and to the GCEO Mr Chanaka Yatawara for being instrumental in harnessing the Group's potential.

Sunil G. Wijesinha
Chairman

28 May 2015

During the year, we further focused on improving the performance of our joint venture company, TVS Lanka (Pvt) Ltd.

We are single-minded in our pursuit of improving productivity of our systems and processes,

C. Yatawara
Group Chief Executive Officer

The Company made a net profit of Rs. 1.24 Bn

Lower duties on hybrid vehicles presents an opportunity for the future

The disadvantage for the UML Group during the year was the absence of a hybrid vehicle in our portfolio

Rs. 10.5 Bn

Group turnover for the year under review

THE GROUP RECORDED A PROFIT OF RS. 1.26 BN

Group Chief Executive Officer's Review of Operations

The year under review brought with it new challenges as well as new opportunities to the UML group. Despite a challenging year, the Group recorded profits of Rs. 1.26 Bn in the financial year under review which, although a drop from the Rs. 1.6 billion profit recorded in 2013/14, still denotes an expansion in key business areas under challenging circumstances, can be considered as a satisfactory achievement.

The disadvantage for the UML Group during the year was the absence of a hybrid vehicle in our portfolio, in order to leverage on the booming hybrid vehicle market conditions arising out of lower duties applicable for the category. Unfortunately, none of the principals had a suitable product in their portfolio of vehicles. In addition, Perodua discontinued the Viva range of vehicles without supplying a successor at a time where the duties for the under 1000cc vehicles were reduced and resultant volumes grew exponentially. This affected potential growth opportunities. The government not issuing duty concessionary permits as done in previous years, further added to the challenges that were faced.

As a direct impact of the above, lower volumes led to Group turnover declining by 4.55% to Rs. 10.5 Bn. The Company made a net profit of Rs. 1.24 Bn during the financial year. The number of vehicles sold by the company increased from 1,833 units in 2013/14 to 2,126 in the current year, while Group vehicle sales excluding two-wheeler and three-wheeler sales numbered 3,668, as compared to 4,401 in the previous year. 45,112 brand new vehicles were sold by the industry as compared to 36,064 units in 2013/14.

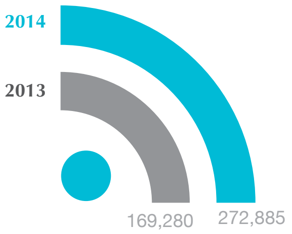
From a macro-economic point of view, lower interest rates, depreciation of the yen and reduction of duties for certain categories helped the industry deliver better volumes than expected.

NEW CHALLENGES

The new Government as part of its interim budget proposals in the 1st quarter of 2015 proposed the levy of Super Gains Tax on Group of Companies /Company who have earned profits in excess of Rs. 2 billion in the financial year 2013/14. Your group could fall into this category, though the exact computation of this tax is still not known. We believe that this tax is not equitable with no marginal relief available and more importantly, it's a retrospective tax where profits available for appropriation have already been distributed to shareholders and invested in assets.

Group Chief Executive Officer's Review of Operations

Motor Cycle registrations



The government's decision to promote hybrid cars by lowering taxes on said vehicles propelled this segment, but the challenge for some brand new car importers was the fact that they did not have hybrid cars in their product portfolio to benefit from this situation. However, most used car importers were able to maximise on this opportunity. On the other hand, this creates an opportunity in 2015/16, as by then most brand new car importers would have included hybrid vehicles in their product portfolios after negotiations with the manufacturer. After sales service for the influx of hybrid cars offers another avenue to increase profits for UML Group, as the majority of used car importers are unable to offer this service, paving the way for companies which have workshops to offer professional after sales service and repair facilities.

Further, 15% reduction in duties for the small car segment from January 2015 will continue the growth momentum in this segment in the next financial year as well. It is expected that the Perodua group will start the export of the successor of Viva in the second quarter of 2015 and this will be a significant contribution to increase turnover and profits.

TWO-WHEELER SEGMENT

This segment witnessed some unusual sales volumes during the year under review. The Government placed an order for approximately 250,000 two wheelers from two of the four main two wheeler importers in the country, of which around 110,000 units have been imported and distributed to Government officers. Mention is been made of this as the yearly sales volume for the entire industry is very close to the ordered quantity. Even though TVS was not among the two considered, it faired extremely well even with these constraints to end the year with a growth in both their top and bottom line.

UNITED MOTORS LANKA PLC (UML)

Income from duty free permits in the previous three years accounted for about 50% of profit in that period, and in the absence of such permits, the company had to rely on non-permit sales. The Company was able to win one of the biggest tenders floated by the government, and received the full order for 1,000 double cabs that benefited the 3rd and 4th quarters. In addition to this, we were able to maintain healthy margins throughout the year in passenger vehicles as well as the commercial vehicle segments. Overall, this year demonstrated the company's resilience and foresight in diversifying income sources in order to offset loss of opportunities, thereby expanding our future income source potential.

Following the improvement in the business of spare parts, workshop services and lubricants in the previous financial year, the Company has continued to grow these segments through further expansion in the new ten acre property in Ratmalana and in the outstations. Operating profits from the spare parts business decreased by 18% and profitability of workshop services recorded a 13% increase, while profits from the sale of lubricants increased by 1% during the year. Our strategy to leverage on after sales service to maximise income generation opportunities has been successful in the first year of strategy execution with year workshop showing great potential and we will continue to add value to these services in the coming months.

Further, the company had already built a portfolio of marketable securities of blue chip companies for under a billion rupees by analysing the stock market, which held us in good stead, as we were able to gain a significant amount of capital gains by divesting part of this portfolio.

Mitsubishi Motors remains a valuable partner for growth of the company and despite our small size. Globally we remain

TVSL faired extremely well even with these constraints to end the year with a growth in both their top and bottom line.

An order 1,000 units of double cabs was secured

429,556 vehicles registered in 2014

OVERALL, THIS YEAR DEMONSTRATED THE COMPANY'S RESILIENCE AND FORESIGHT IN DIVERSIFYING INCOME SOURCES

WE WERE ABLE TO GAIN SIGNIFICANT CAPITAL GAIN BY DIVESTING PART OF STOCK MARKET PORTFOLIO

one of Mitsubishi's valued distributors for having high market share in the Japanese brand new vehicle segment. The Japanese auto giant values the UML Group to the extent that they have taken our request for consideration in launching a high-end hybrid product for the Sri Lankan market. They have consented to the UML Group by offering the first Mitsubishi Plug-in Hybrid Electric Vehicle in Asia, making Sri Lanka the first South Asian country outside of Japan to launch this vehicle.

UNIMO ENTERPRISES LIMITED (UEL)

The fully-owned subsidiary Unimo is engaged in the local assembly of vehicles, retailing a line of Chinese vehicles, Yokohama tyres and the small car brand Perodua. Unimo usually contributes a substantial share of the Group's bottom-line, but this year it did not record expected profits. UEL's main product line Perodua Viva, for which Unimo was the franchisee (under 1000 cc, small car, which falls into one of the lower tax rates), was discontinued by the manufacturer and as a result Unimo had to rely on other brands during the second half of the year. The successor to the product line is expected to reach Unimo showrooms only by mid-2015.

In order to minimise dependency on one main brand, the Company introduced a 1.8 ltrs automatic version of the MG (Morris Garage). This allows us to expand our product portfolio into a larger sedan category, in which we have not had a suitable product up to now.

The company was also successful in entering in to an agreement with a Chinese company, DFSK for assembly of mini vans, which has already commenced. Further, Unimo signed several agreements during the year with new principals to assemble a range of vehicles that will come into the market in mid-2015 and the benefits of which will be achieved in the next financial year. Moreover, the existing assembly plant underwent a major upgrade and expansion in the previous year and is now poised to operate at doubled capacity. We believe that locally assembled vehicles have a great opportunity for the group due to the lower taxes charged on these vehicles. Unimo hopes to launch five products this financial year which would come out of their assembly plant. In hindsight, although Unimo did not post major profits in the year under review, it was able to construct a platform for solid growth for the next financial year.

ORIENT MOTOR COMPANY LIMITED (OMCL)

During the year under review, this subsidiary attempted to recover from a policy change brought about by

EDUCATION HAS BEEN CLOSE TO OUR HEART AND IN 2014/15 TOO WE CONTINUED OUR UNWAVERING COMMITMENT TO IDENTIFYING UNDERPRIVILEGED SCHOOLS THAT WE COULD IMPACT

the previous government during the latter part of the 2013/14 year, when duties were increased for vehicle specifications that Orient held in its portfolio. The product, DFSK, is a small Chinese truck that was specifically designed for the Sri Lankan terrain, is supported by higher load bearing capacity and more sophisticated features than rivals. Capturing 10% of the small truck market within a mere 20 months of market entry, the product was burdened with a large duty increase, as it is able to carry more weight than its rivals, even though it is similar in terms of size.

After the increase in duty, the company found it difficult to sell the product and although the future seemed bleak, a strategic decision was taken to reinvest in the brand and re-energise it during the current year by emphasising on its specific value propositions. As a result volumes have begun to move up gradually. The company's profitability thus was eroded during the year, but at the same time we believe that the enhanced focus on brand building will accrue returns in the months ahead.

TVS LANKA (PVT) LTD (TVSL)

Spurred by a decision to be present in every market across the country, the company embarked on an aggressive network expansion drive during the year to grow volumes of its two-wheeler and three wheeler product portfolio. The company succeeded in growing new business by 60% despite being left out of the mega order for motorcycles, earmarked for government officers by the previous government. The company pursued a strategic expansion strategy for its three-wheeler segment as well. Appointing cricketer Kumar Sangakkara as the brand ambassador for the three-wheeler brand had a positive impact. Major promotions along with a strong focus on sales and after sales channel development has delivered growth in both two and three wheeler segments during the year, which is very encouraging, with market share increasing for both products. The introduction of two new models in the motorcycle range and scooter range made the product portfolio more attractive as it variety catered to more segments of users.

TVS AUTOMOTIVES (PVT) LTD (TVSAP)

The Company represents the Fortune 500 company, Bharat Petroleum for lubricants, TVS Tyres and JK Tyres. Our persistence in resuscitating the company even during the previous financial year was sustained through the period under review. This Company holds potential in our view and we backed our belief by investing further to revive the company. A conscious decision was taken to leverage on the value proposition of the company to generate demand. We collaborated closely with the principals on aspects such as brand building and promotions, and I am proud to state that the company is now on a profitable track. The company recorded Rs. 16.7 Mn in profits this year as compared to Rs. 0.5 Mn profit earned in the 2013/14 year.

TVS AUTO PARTS (PVT) LTD

As the smallest business in the group that supplies parts for Indian vehicles in the local market, we have made an all-out effort to revive the company. Eventually, after much thought, we sold off this business entity during the year under review. Our strategy of consolidation and strengthening our existing portfolio will enable us to better respond to prevailing market trends and conditions.

EMBEDDING SUSTAINABILITY

Since its inception, United Motors has embraced sustainability for innovation and business growth, delivering stakeholder satisfaction by operating as an ethical and responsible corporate citizen. This annual report contains a detailed account of how we harness our strengths to deliver profitability for the company's future in the long term. More significantly, we are proud to have connected economic, social and environmental challenges to achieve a sustainable ethos that pervades every aspect of our operations. We realise that to deliver on our economic pillar, we need to engage with the social and environmental pillars as well to achieve a sustainable future. This realisation has inspired us to rethink our role and engage with the stakeholder community in ways that enhance their lives for the better. Our 'People, Planet and Profit' approach to doing business forces us to see the big picture, to enlarge our vision and look beyond the narrow confines of profitability alone.

During the year under review, we sustained our unrelenting focus on reaching out to communities and understanding the challenges that the underprivileged communities face every single day. Education has been close to our heart and in 2014/15 too, we continued our unwavering commitment to identifying underprivileged schools that we could impact. We then carried out a needs assessment, so that our intervention would have the maximum impact on the quality of education the children receive. During the year, we supported four schools in three districts by way of scholarships and provided them with books. In fact during the year under review, the company granted the highest number of scholarships in its history. Some 475 children received scholarships from UML, which has served to ensure these children stay and learn in school, whilst simultaneously alleviating the financial burden for their families.

In our engagement with underprivileged schools on the education platform, we came across many instances where children complained of problems with their vision, but were unable to afford eye care. Moved by their plight, we carried out three eye clinics in three districts, where not only children, but their families too received check-ups by doctors, and were gifted free spectacles at the company's initiative and expense. Our close engagement with communities has inspired us to adopt a fresh approach that creates a fairer society for every single human being whose lives we impact.

As a company we intend to contribute significantly to green initiatives. We are currently at initial stages of many initiatives which include awareness building, environment conservation, tree planting etc. As an initial step we have started in-house awareness campaigns and are monitoring consumption of natural resources to ascertain reduction in consumptions. We also hope to offer scholarships for school children who come up with innovative ideas for preserving the environment. We held art competitions on the theme of nurturing the environment and intend to increase awareness among the young in 2015/16 as well as hold an essay competition in the near future.

Our people are passionate about sustainability and have created a thought-provoking video presentation that we share with schools and other institutions. The company intends to give a special brochure on environmental conservation along with every vehicle we sell. Moreover, the company has undertaken branding at many strategic and central locations in seven cities. The signboards are located at prominent sites and exhort passers-by to read and understand the thoughtful messages. The company is in the process of initiating a tree planting project with the Urban Development Authority, to plant as many as 3,000 trees in the dry zone.

The new Mitsubishi Outlander PHEV

FUTURE OUTLOOK

United Motors prides itself on its agility and will continue to ensure longevity by evolving and forging new partnerships to add diversity and depth to the Group. Our vision is to build a business portfolio that strikes a fine balance between import and assembly of different classes of vehicles. We intend to drive further local value addition in our assembly operations to showcase Sri Lanka's potential for becoming a hub for car assembly. We are dedicated to our vision to be catalysts of change in the industry and the country, building networks to make sustainable change happen. We were able to deliver substantial profits under the challenging circumstances that prevailed. We enter 2015/16 with a new range of products which we did not possess during the last financial year under review and we expect an exciting year ahead, unless there come about further policy changes that will negatively impact the industry,

APPRECIATION

I would like to place on record my sincere gratitude to our Chairman Mr. Sunil Wijesinha and the Board of Directors for placing their trust in myself and my team for our ability to deliver results. The dynamic team at UML has stood shoulder to shoulder to see the company through a challenging year. The shareholders too have been eminently supportive and understanding of the challenges faced by the company during the year and we assure them that we are now 'future-ready' to deliver even more encouraging results in the next financial year.

C. Yatawara
Group Chief Executive Officer/Executive Director

28 May 2015

Group Structure

Relationship	Company	Incorporated on	Reg:No	Chairman
	UNITED MOTORS LANKA PLC *(Parent Company)*	09 May 1989	PQ-74	Sunil G. Wijesinha
SUBSIDIARIES	**UNIMO ENTERPRISES LTD** 100%	17 March 1994	PB 218	Sunil G. Wijesinha
SUBSIDIARIES	**ORIENT MOTOR COMPANY LTD** 100%	27 March 1992	PB 117	Sunil G. Wijesinha
SUBSIDIARIES	**UML PROPERTY DEVELOPMENTS LTD** 100%	08 October 1993	PB 253	Sunil G. Wijesinha
SUBSIDIARIES	**UML AGENCIES & DISTRIBUTORS (PVT) LTD***	12 November 2001	PV 1514	Sunil G. Wijesinha
JOINT VENTURE	**TVS LANKA (PVT) LTD**** 50%	21 November 1995	PV 9382	V. Sirinivasan
SUBSIDIARY	**TVS AUTOMOTIVES (PVT) LTD** 100% Effective 50%	27 March 2008	PV 63607	Sunil G. Wijesinha

Directors	Secretary	Auditors	Activities
C. Yatawara *(Group Chief Executive Officer/Executive Director)* A. W. Atukorala A. C. M. Lafir *(Executive Director - Finance)* R. H.Yaseen *(Executive Director-After Sales Services)* Mrs. A. H. Fernando M. Sawada A. D. E. I. Perera Prof. K. A. M. K. Ranasinghe	Mrs.R.M.Hisham	KPMG	Import and distribution of brand new Mitsubishi vehicles, genuine Mitsubishi spare parts and provision of workshop facilities for repairs and lubrication services of vehicles. Distribution of Valvoline Lubricants, Simoniz Car Care products & Eagle One Car Care products.
M. Gunathilake *(Chief Executive Officer/Executive Director)* C. Yatawara R. H.Yaseen Mrs. A. H. Fernando A. W. Atukorala	Mrs.R.M.Hisham	KPMG	Import and distribution of Perodua Cars, Morris Garages (MG Cars), Zotye Nomad SUVs, JMC Cabs, DFSK Vans, Yokohama tyres and assembly of DFSK Vans and Zotye Extreme SUVs
C. Yatawara Mrs. A. H. Fernando	Mrs.R.M.Hisham	KPMG	Import and distribution of DFSK Trucks Hiring of motor vehicles
C. Yatawara	Mrs.R.M.Hisham	KPMG	Construction of warehouse complex for hiring purpose. Development of Company owned properties
C. Yatawara	Mrs.R.M.Hisham	KPMG	No commercial operations during the year
R. Dinesh R. Haresh C. Yatawara Sunil G. Wijesinha K. N. Radhakrishnan Mrs. A. H. Fernando A. W. Atukorala	Jacey and Company	KPMG	Import and distribution of TVS motor cycles, three wheelers and spare parts and operation of workshops
R.Dinesh N.Krishnamoorthy C.Yatawara	Jacey and Company	KPMG	Import and distribution of BPCL-MAK lubricants, JK and TVS tyres

Appointments of Directors/Secretaries during the year

- Mr. A.D.E.I. Perera was appointed w.e.f. 27 May 2014 and Prof. K. A. M. K. Ranasinghe was appointed to United Motors Lanka PLC w.e.f. 22 July 2014.
- Mrs. A.H. Fernando and Mr. A.W. Atukorala were appointed to Unimo Enterprises Limited w.e.f. 27 May 2014.
- Mrs. A.H. Fernando was appointed to Orient Motor Company Limited w.e.f. 27 May 2014.
- Mrs. A.H. Fernando and Mr. A.W. Atukorala were appointed as Directors to TVS Lanka (Pvt) Ltd w.e.f. 17 July 2014
- Jacey and Company was appointed as Secretaries to TVS Lanka (Pvt) Ltd and TVS Automotives (Pvt) Ltd w.e.f. 20 March 2015.

* Steps have been initiated to strike off UML Agencies and Distributors (Private) Limited from the register maintained by the Registrar General of Companies, under section 394 of the Companies Act No. 07 of 2007 (as amended).

** TVS Lanka (Pvt) Ltd (a joint venture between United Motors Lanka PLC, TVS and Sons Ltd and TVS Motor Company of India) sold its entire shareholding of 1.3M shares in its subsidiary TVS Auto Parts (Pvt) Ltd on 09 October 2014.

Board of Directors

01

Sunil G. Wijesinha

MBA (SriJ), CEng (UK), FCMA (UK), CGMA (UK)

Chairman - Non Executive Director (Independent)

Mr. Sunil Wijesinha is the Chairman of Watawala Plantations PLC, Unimo Enterprises Ltd., Orient Motor Company Ltd., UML Property Developments Ltd. and TVS Automotives (Pvt) Ltd.

Mr. Wijesinha is also a Director of BizEx Consulting (Pvt) Ltd., Siyapatha Finance PLC, National Institute of Business Management and TVS Lanka (Pvt) Ltd.

He was the former Chairman of NDB Bank PLC, Merchant Credit Ltd and Employees' Trust Fund Board. He was also the Chairman and MD of Dankotuwa Porcelain PLC, Deputy Chairman of Sampath Bank PLC and Managing Director of Merchant Bank of Sri Lanka PLC. He was the former President of Japan Sri Lanka Technical and Cultural Association (JASTECA), Immediate Past Chairman of Employers' Federation of Ceylon and immediate past President of the National Chamber of Commerce of Sri Lanka.

02

C. Yatawara

B.A. Econ., Lewis & Clark College, Oregon, (USA)

Group Chief Executive Officer/ Executive Director

Mr. Chanaka Yatawara is a Director of Unimo Enterprises Ltd., Orient Motor Company Ltd., UML Property Developments Ltd., TVS Lanka (Pvt) Ltd. and TVS Automotives (Pvt) Ltd.

03

A.W. Atukorala

B.Sc (Leeds) UK, MTT (North Carolina) USA, MBA

Non Executive Director (Independent)

Mr. Ananda Atukorala serves as an Independent Non-Executive Director of Orient Finance PLC, Bartleet Finance PLC, UB Finance Ltd., Pragnya Tech Parks Lanka (Pvt) Ltd., Arni Holdings and Investments (Pvt) Ltd., Unawatuna Boutique Resort (Pvt) Ltd., Unimo Enterprises Ltd., TVS Lanka (Pvt) Ltd. and Credence Genomics Private Ltd.

Mr. Atukorala was a former Deputy General Manager, ANZ Grindlays Bank, Sri Lanka; Country Manager Sri Lanka, Mashreq Bank PSC, advisor to the Ministry of Policy Development & Implementation. He was also a Director of Union Bank PLC for a period of nine years and retired in 2012.

He had also served as a Member of the Technology Initiative for the Private Sector - an USAID sponsored project with the Ministry of Industrial Development. He was also a Working Committee Member - Commercial Banking Sector - Presidential Commission on Finance and Banking, Committee Member - Banker's Club of Sri Lanka and a Former Director - Sri Lanka Banks Association (Guarantee) Ltd and Credit Information Bureau of Sri Lanka (CRIB).

04

A.C.M. Lafir

FCMA, ACA, MBA (Sri J)

Executive Director - Finance

Mr. Aashiq Lafir is a Fellow of the Chartered Institute of Management Accountants (CIMA-UK) and an Associate Member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

He also holds a Masters Degree in Business Administration from the Post Graduate Institute of Management of the University of Sri Jayawardenapura and has over 25 years of senior management experience in diverse business activities.

Mr. Lafir is a Director of Skills International (Pvt) Ltd.

05

R.H. Yaseen

Executive Director - (After Sales Service)

Mr. Ramesh Yaseen is a Director of Unimo Enterprises Limited. He was a former Director of Readywear Industries Limited.

Board of Directors

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Mrs. A. H. Fernando

ACA, ACAM

Non Executive Director (Non-Independent)

Mrs. Hiroshini Fernando, an Associate member of Institute of Chartered Accountants of Sri Lanka and Institute of Certified Management Accountants of Sri Lanka has over 20 years experience in the field of auditing, management consultancy, finance and administration.

Mrs. Fernando is an Executive Director of R I L Property (Pvt) Ltd and Readywear Industries Limited. She serves on the boards of Videowall (Pvt) Ltd and R I L Trust, which promotes computer literacy among under privileged schools around the country. She is also a Non Executive Director of Unimo Enterprises Limited, Orient Motor Company Limited and TVS Lanka (Pvt) Ltd.

07

M. Sawada

Non Executive Director (Independent)

Mr. Masafumi Sawada is the General Manager of Asia & ASEAN A Department, Mitsubishi Motors Corporation, Japan

08

A. D. E. I. Perera

Non Executive Director (Independent)

Mr. Eardley Perera is a Chartered Marketer and Graduate of the Chartered Institute of Marketing with a membership spanning over forty years. He has had extensive management training in Sweden, Netherlands, the UK, India, South Korea, the Philippines and Singapore.

His management experience of over four decades, include the Sales and Marketing, Commercial and General Management functions. He now serves as a Non-Executive Director in several public companies, viz. Janashakthi PLC, Janashakthi Insurance PLC, Keells Food Products PLC, Dunamis Capital PLC, Kelsey Development PLC and First Capital Holdings PLC.

He is also a Non-Executive Director of M & E (Private) Ltd, STING Consultants (Pvt) Ltd, MA's Tropical Foods (Pvt) Ltd, Brand Finance Lanka (Pvt) Ltd, Janashakthi General Insurance Co. Ltd. and Premier Synthetic Leather Manufacturers (Pvt) Ltd. He is actively engaged in management consultancy and has had extensive experience as a lecturer on the CIM (UK) Courses and the MBA programme of the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardanepura, where he now serves as a member of the Board of Study.

09

Professor K. A. M. K. Ranasinghe

BSc Eng (Hons), MASc(UBC), PhD(UBC), C Eng, Int PE, FIE(SL), FNAS(SL)

Non Executive Director (Independent)

Prof. Malik Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, Member of the University Grants Commission, Chartered Engineer and International Professional Engineer, Fellow of the Institution of Engineers, Sri Lanka, National Academy of Sciences, Sri Lanka, Institute of Project Managers, Sri Lanka and independent non-executive Director of Sampath Bank PLC, Access Engineering PLC, Textured Jersey Lanka PLC and Resus Energy PLC. He is the immediate past Vice-Chancellor of the University of Moratuwa, past Chairman of the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, former Council Member of the Association of Commonwealth Universities (ACU), former Fellow of the National University of Singapore and former Non-Executive Director of the Colombo Stock Exchange and Lanka IOC PLC.

Prof. Ranasinghe obtained his PhD in 1990 from the University of British Columbia, Vancouver, Canada as a Canadian Commonwealth Scholar. He was honoured with the Education Leadership Award 2013 at the 4th Asia's Best B-School Awards, Singapore, the Award for Outstanding Contribution to Education at the World Education Congress 2012, India, the Most Outstanding Senior Researcher in Technology and related Sciences award in 2012 by the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, the Trinity Prize for Engineering in 2004 for outstanding contributions made to his chosen profession and the Sri Lanka Association for the Advancement of Science (SLAAS) General Research Committee Award for Outstanding Contribution to Sri Lankan Science in 1999.

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Mrs. R.M. Hisham

ACIS (UK), MBA (Sri J)

Company Secretary

Senior Management Team of UML

General Managers

1. **Mr. G. Pilapitiya**
   General Manager
   (New Vehicle Sales)

2. **Mr. B. Singhage**
   General Manager
   (Technical, Parts & Accessories)

3. **Mr. R. Siriwardene**
   General Manager
   (HR & Administration)

4. **Mr. T. Jayasekara**
   General Manager
   (Finance & Planning)

5. **Mr. P. Ellepola**
   General Manager
   (Lubricant & Car Care)

Heads of Divisions

1. **Mr. S. de Silva**
   Assistant General Manager (Marketing)

2. **Mrs. R. M. Hisham**
   Assistant General Manager (Legal/HRD)

3. **Mrs. S. Fernando**
   Assistant General Manager (Internal Audit & Monitoring)


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Senior Management Team of UML

Assistant General Managers

1. Mr. S. Withana
   Assistant General Manager (Information Technology)

2. Mr. T. Madugala
   Assistant General Manager (Public Sector Sales)

3. Mr. A. S. J. Cooray
   Assistant General Manager (Truck & Bus)

4. Mr. M. Dissanayake
   Assistant General Manager (New Vehicle Sales)

5. Mr. W. P. S. Kumara
   Assistant General Manager (Technical)

6. Mr. K. Gunatilleka
   Assistant General Manager (New Vehicle Sales)

7. Mr. H. D. Rajapakse
   Assistant General Manager (Sales Support Services)

8. Mr. B. De Fonseka
   Assistant General Manager (Technical)

9. Mr. T. Hopwood
   Assistant General Manager (Projects)

10. Mr. T. Peiris
    Assistant General Manager (Technical)

11. Mr. Sudhakaran
    Assistant General Manager (Technical)

12. Mr. T. Gunathilaka
    Assistant General Manager (Branch Operations)

Subsidiary CEOs and Heads of Companies

Unimo Enterprises Ltd.

1. Mr. M. Gunathilake
   Chief Executive Officer/Executive Director

TVS Lanka (Pvt) Ltd.

2. Mr. R. Liyanage
   Chief Executive Officer

Orient Motor Company Limited

3. Mr. K. P. N. C. M. Silva
   Deputy General Manager - (Operations)

Senior Management Team of Subsidiaries & Joint Venture


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Unimo Enterprises Limited

1. Mr. L. Wijeratne
Assistant General Manager - Perodua

2. Mr. C. Nanayakkara
Assistant General Manager - Logistic Operations

3. Mr. U. Fernando
Assistant General Manager - (Operations)

4. Mr. R. Opatha
Assistant General Manager - Chinese Vehicles

TVS Lanka (Pvt) Limited

5. S. Mohanty
Chief Financial Officer

6. Mr. S. D. R. L. Wickumsiri
AGM - After Market & Assembly Operation

7. Mr. S. Bandarawatta
AGM- Finance

8. Mr. G. Anthony
Head of Sales - 2W

9. Mr. M. L. K. Gunawardena
Senior Manager - HR & Admin

10. Mr. H. T. Haputhanthri
Head of Marketing

11. Mr. S. Palliyaguru
Head of Sales - 3W

TVS Automotives (Pvt) Limited

12. Mr. R. Serasinghe
Deputy General Manager - Tyre

13 Mr. P. de Silva
Deputy General Manager - Lubricant

Management Review & Preview

UML IS POSITIONED TODAY AS ONE OF THE FOREMOST COMPANIES, MEETING THE TRANSPORTATION NEEDS OF SRI LANKA

GROUP REVIEW

Our Beginnings

Rising in stature from humble beginnings way back in 1945, United Motors Lanka PLC is positioned today as one of the foremost companies, meeting the transportation needs of Sri Lanka. Recognised as a premier blue chip company, the company is quoted on the Colombo Stock Exchange.

In 1972, the company was vested in the Government of Sri Lanka and became a Government-Owned Business Undertaking (GOBU). In 1985, Mitsubishi Motor Company (MMC) of Japan appointed United Motors Lanka PLC as the sole distributor of brand new Mitsubishi vehicles in Sri Lanka, which made United Motors Lanka PLC the first GOBU to be privatised and converted into a public limited liability company, the status it still retains today.

Later on, in 2003, Mitsubishi Fuso Truck & Bus Corporation (MFTBC) was founded and Daimler AG acquired a controlling interest in MFTBC in 2004. However, UML continues to be the sole distributor for all Mitsubishi trucks and buses in Sri Lanka. Today, the United Motors Group is considered a leading player in the automobile industry in Sri Lanka.

The United Motors Group includes three fully-owned subsidiaries and a jointly controlled Entity, TVS Lanka (Pvt) Ltd, and its subsidiary - TVS Automotives (Pvt) Ltd. Its other subsidiary TVS Auto Parts (Pvt) Ltd was sold in October 2014. We remain committed to expand group businesses within the transportation industry, thereby focusing our management resources on our core business, whilst actively pursuing opportunities for investments into areas that would yield favourable returns and fulfil the expectations of all our stakeholders.

PURSUING GROWTH

The company pursues diversified business opportunities which have synergies with its investment criteria. It continues to retain and aggressively develop its

45,112
Brand new four wheel vehicles were registered in 2014

Expansion of islandwide workshop facilities

2.1%
Single digit inflation was recorded in 2014

core business of selling brand new Mitsubishi vehicles and provides an efficient after sales service to its customers. The company invested heavily in acquiring and developing existing properties and other long-term rented properties in 2014 and 2015 to expand value-added services for its customers.

In 2013, the company purchased 10 acres of land in Ratmalana with the plan of developing it in 2015 into a logistics hub for vehicles and spare parts and to set up a fully-equipped workshop for Mitsubishi and Fuso vehicles, with special facilities to repair and service large trucks. We hope to commence construction in the 3rd quarter of 2015.

We also acquired a 1.16 acre property in Jaffna with the intention of setting up a workshop, construction of which is currently in progress. Once developed, this facility will provide a full range of workshop services hitherto unavailable in Jaffna. Further, in 2013, we purchased an additional 69 perches of land adjoining our existing property in Orugodawatte and intend to expand our main workshop to accommodate Hybrid vehicles in Orugodawatte.

We rented properties in Anuradhapura and Kandy during 2014 and have since expanded our workshop facilities in both locations. We provide a full range of workshop facilities at these newly-expanded locations, which include all mechanical repairs, body repairs, painting facilities, servicing and lubrication facilities. Plans are underway to expand our workshop facilities in Ratnapura and Board approval has been obtained to proceed with this expansion. Our expanded properties in Anuradhapura and Kandy are contributing to company profitability. Additional workshops facilities are being planned and are at completion, stage, including workshops and showrooms in Kandy, Kurunegala, Anuradhapura and Matara. As a company with a more than 50% foreign shareholding, we are not able to purchase land and precluded from doing so by the Land (Restriction on Alienation) Act No. 38 of 2014. This has proved to be a major dampener on all our future expansion plans.

ECONOMIC REVIEW

Sri Lanka's economy recorded real GDP growth of 7.4% in 2014 against a growth of 7.2% in 2013. Domestic economic activity during the period under review kept up its momentum due to a strong performance from the Service and Industry sectors.

The result of demand management policies, improved supply conditions, downward revision of administered prices and effectively contained inflation, led to inflation remaining at low single digit levels throughout 2014. According to the Colombo Consumers Price Index (CCPI), inflation decreased further to 2.1% in December 2014 in comparison to 4.7% in 2013. The year-on-year inflation has remained at single digit levels for the sixth consecutive year.

Further, domestic consumption expenditure, which constitutes the largest share of aggregate demand, and investments, particularly in construction, exerted a thrust to economic expansion witnessed during the year. The Industry and Services sectors continued to show favourable growth, while negative weather conditions stifled the performance of the Agriculture sector during the year. The Agriculture sector grew marginally by 0.3% in 2014, reducing its share in GDP to 10.1% from 10.8% in 2013. Impacted by adverse weather conditions, several key sub sectors including paddy, rubber and minor export crops contracted, largely contributing to the deceleration of the growth in the Agriculture sector. The paddy output declined significantly in both Yala and Maha seasons. Rubber production too dipped for the third consecutive year, affected by weakened international demand for natural rubber as well as adverse weather conditions. The utilisation of paddy lands for the cultivation of other food crops and government policies aimed at protecting local farmers helped increase domestic production further. The tea industry performed well in 2014, backed by increased tea prices.

Wholesale and retail trade, transport and communication, banking, insurance and real estate sub sectors boosted the profile of the Services sector, which represents 57.6% of GDP. This sector grew by 6.5% in 2014, compared to the growth of 6.4% in 2013. The Construction sub sector recorded the highest contribution to the growth of the Industry sector, while food, beverages, tobacco, textile, apparel and leather sub sectors also made substantial contribution to growth.

Management Review & Preview

United Motors won the gold award for the 7th consecutive year for its Annual Report in the “Motor Sector” category at the award presentation held by the Institute of Chartered Accountants

Domestic savings rose to 21.1% of GDP in 2014 from 20.0% in the previous year. National savings improved to 27.0% of GDP as a combined result of continued inflows in the form of workers’ remittances and the deceleration in the negative growth of Net Factor Income from Abroad (NFIA) compared to the previous year. These developments contributed to a narrowing of the savings-investment gap to 2.7% of GDP in 2014 from 3.7% of GDP in 2013.

Moreover, the unemployment rate declined as a result of enhanced employment opportunities and a reduction in the Labour Force Participation Rate (LFPR). The unemployment rate marginally declined to 4.3% in 2014 from 4.4% in the previous year.

Exports grew at a healthy rate in 2014, supported by improved external demand along with a stable domestic macroeconomic environment. Earnings from exports grew by 7.1% in 2014 compared to the previous year and reached US dollars 11,130 Mn, reflecting an increase in all major categories. The highest contribution to export earnings emanated from industrial exports, supported by the substantial increase in exports of textiles and garments. Earnings from textiles and garments exports, which accounted for about 44% of total exports, recorded an increase of 9.4% in 2014, reflecting increases in garment exports to both traditional and non-traditional markets. Earnings from agricultural exports registered an increase of 8.2% in value terms due to higher exports of coconut products, tea and certain minor agricultural products. However, export earnings from spices, which showed a higher growth of 38.8% during the previous year declined to 25.6% in 2014 mainly due to low harvest of main export crops.

Moreover, import expenses increased by 7.9% in 2014 over the previous year, led by imports of intermediate goods and consumer goods, particularly during the second half of the year. Imports of consumer goods increased, reflecting the expansion in both food and non-food categories. Growth in consumer goods imports was driven by higher expenditure on imports of motor vehicles for personal use and increased rice imports.

Unlike in the previous financial year, domestic financial market continued to remain liquid during 2014. The Central Bank intervened on a regular basis throughout the year to mop up excess liquidity for the purpose of stabilising the market interest rates consistent with the policy interest rate corridor.

The Sri Lankan rupee remained relatively stable during 2014. Increased demand for US dollars by importers and outflow of short term investment created some pressure, hence, depreciation of the Sri Lankan rupee against the US dollar during the fourth quarter of 2014 was seen. Consequently, the Sri Lankan rupee depreciated by 0.23% against the US dollar to Rs. 131.05 at end of 2014, although the rupee appreciated against all other major currencies as a result of cross currency exchange rate movements.

The Central Bank practiced a relaxed monetary policy stance during 2014 against the backdrop of low inflation. In January 2014, the Central Bank renamed its policy interest rates, the Repurchase rate and the Reverse Repurchase rate as the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), respectively. While the SDFR remained unchanged at 6.50% during the year, in order to ensure the stability of short term interest rates, the SLFR was reduced by 50 basis points to 8%. With this reduction of SLFR, the Standing Rate Corridor (SRC) of the Central Bank was compressed to 150 basis points from 200 basis points.

Global economic growth in 2014 had mixed fortunes, with a pick-up in some developed markets while emerging economies experienced lower than expected growth. The US economic outlook remained strong throughout the year. Not much is expected to change in the next financial year, with global economic growth forecast to experience a moderate increase from

3.5% in 2015 and to 3.8% in 2016.

A long term roadmap for the country's economic growth is the need of the hour. Sri Lanka's rank in the World Competitiveness Index has deteriorated from 65 in 2013 to 78 in 2014, which is a worrying sign. To begin with, industrial policy should focus more on moving manufacturing up the value chain while diversifying away from traditional export categories, which account for about 70% of the total industrial exports. It is worrying to note that exports as a share of GDP have declined from 33.3% in 2000 to 14.7% in 2014. Policy consistency is imperative to enhance the business environment with the aim of attracting foreign investment. Despite the fact there have been improvements to macroeconomic fundamentals and infrastructure facilities in the past five years, Sri Lanka has failed to attract FDI at envisaged high levels. We are hopeful that the new government will move fast to implement these long term measures to better position Sri Lanka to leverage on emerging opportunities.

Table 1

Year Ended	Rate of Inflation (%) Year on Year CCPI	Annual Average CCPI
2010	6.8	6.2
2011	4.9	6.7
2012	9.2	7.6
2013	4.7	6.9
2014	2.1	3.3

(Source: Central Bank Annual Report 2014)

Table 2

Year Ended	Exchange Rates Vs. LKR	
	USD	JPY
2010	110.95	1.3611
2011	113.90	1.4699
2012	127.16	1.4799
2013	130.75	1.2459
2014	131.05	1.0979

Table 3

Year	AWPLR (%)	Treasury Bill Yield Rate (91 days) (%)
2010	9.29	7.24
2011	10.77	8.68
2012	14.40	10.00
2013	10.13	7.54
2014	6.26	5.74

(Source: Central Bank Annual Report 2014)

Inflation

Rate of Inflation remained low and within the single digit range during 2014, which was due to moderate international commodity prices and stable exchange rates.

Table 1 on this page indicates rates of inflation over the past five years.

Exchange Rates

Ensuring stability in the foreign exchange market was a priority for the Central Bank in 2014, which in turn smoothened the short term volatility of exchange rates. The Sri Lankan Rupee appreciated against the US dollar in the first nine months of the year. This warranted intervention from the Central Bank in order to prevent over appreciation. The overall annual depreciation against the US dollar was 0.23%. Appreciation of the Sri Lankan Rupee was seen across all major currencies including the Japanese Yen where there was an appreciation of 11.88%.

Table 2 also on this page indicates the year end value of the Sri Lankan Rupee (LKR) against the Japanese Yen and the US Dollar in the last five years. US Dollar trades at Rs. 133.90 and the Yen at Rs. 1.0812 as of 28 May 2015.

Rates of Interest

With the high liquidity levels in the domestic money market, most market interest rates rallied at historically low levels, with rates of interest showing a steady decline over the year. The low rates of interest were facilitated by the reduction of policy interest rates and massive liquidity in the money market.

The weekly Average Weighted Prime Lending Rate (AWPLR) declined from 10.13% in 2013 to 6.20% in 2014. With the decline in interest rates in 2014, affordability of motor vehicle ownership was enhanced and although other factors contributed to the negative growth of vehicle ownership, we hope the low level interest rates continue.

Table 3 shown on this page indicates the movement of rates of interest in the last five years and is in respect of the commercial bank's Average Weighted Prime Lending Rate (AWPLR).

The All Share Price Index (ASPI) grew by 23.4% in 2014 over the previous year, indicating a significant improvement in performance over 2013. The ASPI showed marginal growth of 4.8% in 2013, negative growth of 7.1% in 2012 and 8.5% in 2011. Market capitalisation increased by 26.2% or by Rs. 645 Bn to close 2014 at Rs. 3.1 Tn. The downward trend in domestic interest rates and stable exchange rates were some of the features that contributed to the upward movement of the stock market.

Total market turnover was Rs. 341 Bn up from the Rs. 200.4 Bn recorded last year, this is an increase of 70% over the previous year.

Management Review & Preview

Rs. 3.1 Tn

Market Capitalisation reaches an all time high

Foreign investors accounted for 31% of the total turnover. Daily Average Turnover also increased by 71% over the previous year from Rs. 828 Mn to Rs. 1,415 Mn in 2014.

Foreign investors contributed a net inflow of Rs 21.1 Bn during the year under review. In the year under review, Rs. 3.3 Bn was raised through rights issues, public placements and IPOs. Tax incentives are available for companies listing on the Colombo Stock Exchange (CSE). Turnover activity levels dropped by 6.2% compared to the previous year.

Table 4, below indicates the year end indices over the past five years.

The Automobile Market

In 2011, 525,421 motor vehicles were registered, this was the highest ever. 2012 and 2013 showed declines to 397,295 and 326,651 respectively.

In 2014 was a recovery of some sorts when motor vehicle registration recorded 429,556 or 31.5% increase over that of the previous year but nowhere near the record breaking year of 2011. The only motor vehicle category to show growth over that of 2011 is the motor cycle category which recorded a growth of 19,554 motor cycles which may be due to the government scheme for motor cycle which was implemented in 2014. The increase in motor cycles registered in 2014 over that of the previous year is 103,605 units which again is due to the implementation of the same scheme mentioned previously. All of this is in respect of all vehicles including two and three wheel vehicles.

Table 5 below shows the performance of brand new four wheel vehicles registered in 2014.

This category of vehicles registered in 2014 totalled 45,112 an increase of 9,048 vehicles or 25% over that of the previous year.

Indian, Korean and Chinese vehicles have recorded significant increases in vehicles volumes in 2014 and this is a continuing trend for the last few years.

The expenditure on vehicles imports in 2014 was US $ 897 Mn from US $ 582 Mn spent in 2013 an increase of US $ 315 Mn or 54%, which is a very significant increase.

OPERATIONS REVIEW

Mitsubishi Vehicle Sales

With many policy changes that took place in the period under review, it would be reasonable to state that overall Mitsubishi sales closed at satisfactory levels. The continuation of the permit scheme and the permit vehicle being made transferable contributed Mitsubishi sales to increase. The Outlander in particular, recorded its highest ever sales in the year under review.

The lower-end range of Mitsubishi vehicles such as the Mirage and Attrage were significantly affected due to the more expensive vehicles becoming cheaper and by the extremely low duty enforced for hybrid vehicles. For example, among hybrid vehicles, the main share (over 98%) was with the Japanese used hybrids - with their better options at a cheaper price compared to the lower-end models offered by Mitsubishi.

Meanwhile, the legendary L 300 Van was discontinued from the product line of Mitsubishi and this had an adverse effect on our market share for the van segment, since the brand new van segment was dominated by us for over a decade by the L 300 which had secured over 40% of the market.

UML had the privilege of being awarded an order for 1,000 double cabs from the Government of Sri Lanka - the highest single sales deal in the history of UML. Additionally, UML was able to maintain leadership in the truck segment, with the truck

Table 4

Year	CSE ASPI	CSE Motor Sector	Market Capitalisation Rs Bn
2010	6,636	24,514	2,211
2011	6,074	27,115	2,214
2012	5,643	15,652	2,168
2013	5,913	14,955	2,460
2014	7,299	18,209	3,105

Table 5

Description	2012/13 No of Units	2013/14 No of Units	2014/15 No of Units	Increase (Decrease) Over 2013/14 (%)
CAR	10,959	7,657	14,242	86
SUV	4,647	4,542	2,615	(42)
DUAL PURPOSE	6,042	1,397	6,061	334
TRUCK	25,210	20,906	17,991	(14)
BUS	2,030	1,562	4,203	169
TOTAL	48,888	36,064	45,112	25

business posting the highest ever profit of over Rs. 300 Mn during the financial year. This was achieved in the background of tough competition from other Japanese products and used trucks that are 40% -50% cheaper than their brand new counterparts.

Mitsubishi Motors Corporation witnessed a change in its leadership, with Osamu Masuko (who visited Sri Lanka in 2013) being elevated to the position of Chairman and Tetsuro Aikawa taking over as Managing Director.

A more detailed analysis of the performance of the Mitsubishi brand verses the other brand new Japanese brands indicates that share of this market segment was 28% in 2014.

Our share has decreased in total in comparison to the previous year. Table 6 shown below indicates the Mitsubishi share in each of the vehicle segments of brand new vehicles registered in 2014. Increases are seen only in the dual purpose and truck segments. The tapering off of the permit scheme has also had its impact on our overall sales volumes.

The demand for vehicles overall increased this year with the four wheel category of vehicles showing increases in only two segments, Buses and Private cars. All others showed decreases over that of the previous year.

Increases were seen in the dual purposes vehicles, trucks and other vehicles segments. The overall motor industry has increased in 2014, the segmental analysis shows that this increase is totally due to the increase in motor cycle registrations. This reduction in demand for certain categories is due to increases in duties and other import levies.

The Mitsubishi share of recent imports of brand new Japanese vehicle imports (based on Japanese export statistics) is given in Table 7 on this page

Continuous initiatives with financial institutions are being made to stimulate demand. However these have met with limited success.

The issue of permits has now slowed down to a trickle. This has seriously affected bottom line performance as the quantities issued have decreased from the previous year. Until new permits are issued we do not see much contribution from the permit operation. The demand for Mitsubishi ex stock vehicles will be seriously under threat as many customers continuously look for cheaper options from China, India and Korea.

Purchases of vehicles for stock follow strict guidelines. In assessing demand, stock in hand and stock on order are considered and followed meticulously with stock norms being adhered to. Efficient working capital management has ensured that interest cost been maintained at the lowest possible levels with interest being earned on surplus funds.

Mitsubishi Spares

The spare parts division of UML has been a significant contributor towards company profitability this year too as in previous years. The spare parts division's contribution to net turnover is significant and amounted to Rs. 1.5 Bn, or 18% of total net turnover.

Spares are sold through all our island wide branches and outlets and through our extensive dealer network. The expansion of our island wide workshop facilities has further enhanced workshop spare part sales.

Sales performance for the year under review was below last year's performance by Rs. 273 Mn or 16 %. The target driven sales team in the spare parts division contributed immensely to this level of sales. The best teams are rewarded with cash & other awards. The company continues to offer a variety of attractive rewards and incentive schemes with a view to precipitate peak performance. This is even more important now as the sales of the spares become very challenging in a highly competitive market.

The division currently operates sales counters at our own branches and sales points located in Orugodawatte, Panchikawatte, Nugegoda, Matara, Ratnapura. Kandy, Kurunegala, Anuradhapura and Jaffna. All our branches now operate workshops and this

Table 6

	Composition of Mitsubishi Share (%)	
	13/14	14/15
CAR	1.6	1
SUV	28	15
DUAL PURPOSE	13	17
TRUCK	1.8	3
BUS	2	2
TOTAL	6	5

Table 7

Year	B/N Jap. Units Imported	Mitsubishi Share	Mitsubishi Share %
2006	3,587	960	27
2007	6,631	1,993	30
2008	7,533	1,864	25
2009	613	223	36
2010	2,406	576	24
2011	5,694	1,061	19
2012	2,851	852	30
2013	4,351	1,780	41
2014	3,069	855	28

THE VALVOLINE DIVISION LAUNCHED SEVERAL GREEN PRODUCTS UNDER THE CAR CARE RANGE

Rs. 2 Bn

was contributed by the workshop and spare parts divisions towards company turnover

has helped to increase branch spare parts sales as well.

The spare parts division in a bid to capture greater market share introduced a second line of spares from Mitsubishi Motor Corporation (MMC) and Mitsubishi Fuso Truck and Bus Corporation (MFTBC), a market dominated by spurious spare parts.

The MMC line is called Value Selection Parts and the MFTBC line is known as Diamond Value Parts. The introduction of these lines has been very successful. The main reason for the reduction from last year's performance is the sale of accessories to permit customers previously.

Our principals (MMC and MFTBC) are constantly made aware of the ever changing market conditions in Sri Lanka through regular meetings and presentations. The constant movement of the Rupee has meant that selling prices are constantly changing with each shipment. MMC and MFTBC are appreciative of the activities of the division.

United Motors won an award for highest sales volume in South East Asia in 2014

Repairs and Services

During the year under review, all workshops including all those at the branches, delivered to their full potential. Our Kandy and Anuradhapura workshops which were expanded, are now equipped to handle all types of body repairs, mechanical repairs, body painting, service and lubrication facilities. Plans are underway to further expand the workshop and facilities in Anuradhapura, Kandy, Jaffna, Ratnapura and Kurunegala. Some expansion projects are currently in progress. The company has invested in excess of Rs. 75 Mn to further upgrade all our workshop facilities including our main workshop at Orugodawatte.

The workshop's contribution to company net turnover was Rs. 574 Mn in the year under review only on labour income amounting to Rs. 521 Mn, an increase of 10.2% compared to last year.

The equipment installed will deliver value to the workshop through quality enhancement which will result in improved productivity and faster turnaround times and also increased capacity. Quality assurance enjoys an important place in our internal processes and is vital to control and reduce the occurrence of efficiency and productivity losses and returned jobs.

Our waste water purifying and recycling plants continue to operate within the standards laid down by the regulatory authorities such as the Central Environment Authority and Municipal Councils in the areas we operate in.

Continuing our value added services we conducted service campaigns in several cities around the country during the year under review. Our training unit continued the "M-step" programme in line with the Mitsubishi Motors training programme and all our technicians were trained to achieve "M-step" Level ll. In addition to our in house training, 11 technicians and service advisors were trained in Japan at the Mitsubishi Training Centres at Okazaki and other overseas training centres. The training divisions continue to conduct training programmes for fleet owners.

Valvoline Lubricants and Eagle One Car Care Products.

Valvoline has been marketed in Sri Lanka since 2002 and now is a well-accepted brand in the lubricant industry of Sri Lanka.

The brand has been established in more than 140 countries. Ashland Inc. is the holding company of Valvoline and has been in business for over 130 years. Valvoline operates more than 40 blending plants worldwide.

Net sales of Rs. 485 Mn were recorded by the Valvoline division in 2014/15, an increase of Rs. 119 Mn over that of the previous year. The division's contribution to the company profit was Rs. 66 Mn.

2014 was a challenging year for the lubricant division. Being in the premium category of lubricants, it operates from price differential disadvantage in addition to all disadvantages stemming from the past where the lubricant industry was state controlled. In 2014 UML's Valvoline division won an award for the highest sales in the South East Asian region based on its 2013/14 performance. The award was presented in Mumbai, India at the South East Asia Region Conference.

In the year under review, the division launched several green products under the car care range.

In 2015 the division added the Simoniz range of car care products and these products seem to have been accepted in the local market.

Information Technology

Our IT division continues to play a vital role in supporting our current operations and its new initiatives. While this is its prime role, it also overlooks and maintains our islandwide IT systems and the IT systems of most of our group companies.

Our ERP system continues to integrate all divisions and functions across the company, facilitating greater efficiency and effectiveness of all processes and controls.

We are continuously upgrading our system hardware and in the year under review we replaced many of the Desktop Computers and other related equipment. We also developed in-house software to handle a multitude of functions.

We are currently reviewing proposals to replace our ERP system.

Capital Expenditure

Group capital expenditure in the year under review amounted to Rs. 142 Mn, a decrease of Rs. 720 Mn over that of the previous year.

A major portion of capital expenditure was spent on the acquisition of motor vehicles and the construction of buildings.

PERFORMANCE BY UML SUBSIDIARIES

Unimo Enterprises Limited (UEL)

In the year under review, UEL recorded one of its lowest profits in the recent years and this was due to the inability of our usual key profitable products to achieve budgeted levels of revenue. As a result, the company ended up with a profit of Rs. 70 Mn as against a budget of Rs. 275 Mn in the reporting year.

Perodua, one of the leading compact car brands in the country, could not supply the products as per the market demand, especially during the 4th quarter, where the import duties for less than 1,000cc cars were reduced significantly. As a result, the division could achieve only a profit of Rs. 69 Mn against a budget of Rs. 234 Mn.

The commercial vehicle arm of the company, which markets products from JMC, also could not perform as per expectations due to the market conditions as well as the higher cost in relation to competition within the segment. However, the division managed to achieve 70% of the budgeted profitability and have exceeded last years contribution by Rs. 13 Mn by maintaining healthy margins.

The much anticipated MG6 automatic transmission vehicles were only received during the month of March 2015. The manual transmission products recorded a very low sales volumes during the reporting year. As a result the division made a loss of Rs.10 Mn. However, plans are underway to improve the company's market position with the introduction of auto transmission products.

The MG 6

Due to the supply issues of Zotye, who supplies the main product for the UEL assembly operation, the assembly arm of UEL as well as the Zotye division could not contribute positively to company profitability. The divisions ended up making a loss of Rs. 31 Mn and Rs. 16 Mn respectively. Though this is a temporary setback, Unimo is quite bullish with their plans for 2015/16, with the intended new product introductions, in particular, the new Perodua Axia.

Adopting strict stock and debtor controls, the tyre division continued to optimise its operation, becoming the only operational division in the company to surpass the budgeted profitability. Accordingly, the division made a profit of Rs. 46 Mn against a budget of Rs. 15 Mn, the division also exceeded the previous years profit by Rs. 23 Mn.

Orient Motor Company Ltd. (OMCL)

Since the introduction of the DFSK 'Unimo Lokka' mini truck in 2011, 4,000 of these trucks have been sold. Unimo Lokka offers many advantages compared to the same category of vehicles available in the market. Further, OMCL has been able to offer the DFSK truck at a very competitive price. During the period under review, OMCL added two new models of factory fitted full body trucks to its portfolio. The support extended by the principal supplier to develop sales for mini trucks DFSK – China, is very encouraging. OMCL hopes to introduce more new models to the mini truck market in the near future.

The 2015 budget proposals presented on 24th October 2014, introduced a new tariff for mini trucks, (Cargo carrying capacity of 1,500 Kg or more) and exempt from VAT. Stock in hand was sold at a reduced price to pass some benefits to the customers.

Performance for the financial year was much below budget. The Company incurred a loss of Rs. 113 Mn against the budgeted profit of Rs. 120 Mn, mainly due to drop in sales and increases in related costs due to high stock holding. The

Management Review & Preview

49%

Growth in two wheel business was reported by TVS Lanka (Pvt) Ltd.

Company reported a profit of Rs. 5 Mn last year. The company's turnover for the year was Rs.906 Mn, which is 72% below the budgeted turnover of Rs. 3,204 Mn.

Senior management positions in the company were restructured and we are investing on rebuilding the brand, with a greater focus on market needs. Currently the Company has been showing growth and we believe that it is moving in the right direction and we expect improved performance in 2015/16. The short term initiatives introduced in the last three months in terms of sales and cost reductions was encouraging. The company is continually looking forward to improve its efficiency and productivity to increase the bottom-line, while capturing a higher market share to increase 'Unimo Lokka' sales and grow the topline.

Although the total market for mini trucks is on the decline over last three years, OMCL was able to retain its competitiveness in the industry. OMCL still holds 10% of the market share in its category, while plans are being formulated to capture 25% of the market share in 2015/16. The company has already commenced investing in brand building and strengthening after sales service by increasing the network and staff competencies. The level of customer satisfaction in the mini truck category, after sales service and availability of spare parts has increased. More than 25% of our sales inquiries are generated based on recommendations from existing users.

PERFORMANCE BY JOINT VENTURE COMPANIES

TVS Lanka (Private) Limited

TVS Lanka surpassed all preset targets to record a turnaround performance in the year under review in comparison with the previous year. A premier automotive company specialising in motor cycles, scooters, three wheelers and spare parts, TVS Lanka is a joint venture between United Motors Lanka PLC, T. V. Sundaram Iyengar & Sons Limited and TVS Motors of India. The Company succeeded in turning around both top line and bottom line by a significant margin, recording Rs 7.2 Bn in turnover, which accounts for a growth of 60%. Profit after tax grew by 141% with a quantum increase of Rs. 65 Mn. However, this robust performance was offset by the negative impact on profits by Rs.37 Mn due to the loss on disposal of TVS Auto Parts.

Two Wheeler Market

Despite of the infusion of over 110,000 two wheelers to the market by the government for its employees via other industry players, TVS has shown outstanding performance in the two wheeler business. Two wheeler volumes grew by 33% in the retail industry, whereas TVS posted a growth of 49%. The two wheeler exit market share has been recorded at 13.8% compared to entry market share of 11.8% in the period under review. Average volume for a month also has shown noteworthy growth from 1,500 units in the previous year to 2,200 units in the year under review. There is an impressive growth seen between the Financial Year Entry Volume vs. Exit Volume, 1,800 units and 3,256 units respectively.

The Company's turnaround performance in the Two Wheeler category can be attributed to well focused strategic initiatives that had been deployed during the period under review. Strategic brand building measures were undertaken in this category by re-positioning 'Brand TVS' to be the 'Warranty Leader' and 'Mileage Leader'. The product's brand equity was further strengthened by using Kumar Sangakkara as the Brand Ambassador to establish "TVS Range Leadership".

The market segment was developed by demarcating high growth, average growth, low growth geographical

The company added the New Mitsubishi Lancer EX 2L to its portfolio

Signing up Kumar Sangakkara in as
the Brand Ambassador for TVS KING

BRAND EQUITY WAS FURTHER STRENGTHENED BY USING KUMAR SANGAKKARA AS THE BRAND AMBASSADOR TO ESTABLISH "TVS RANGE LEADERSHIP"

markets with specific market base activities, while network expansion has been mapped in keeping with said geographic potential. Another initiative was to identify an uncontested market to use the potential strength of the two wheeler portfolio to offer application base approach to SME category positioning HD Super model as "Roda Deykey Loriya – RDL" which delivered almost three-folds growth in the category. Rationalisation of the two wheeler portfolio also provided growth directions and effective resource allocations to reach set objectives.

Three Wheeler Segment

The three wheeler business has shown a slow turnaround given the nature of the industry. Three wheeler volumes contracted by 5.5% in the retail industry, whereas TVS grew by 90%. TVS has shown a promising performance in this category, with a three wheeler market share of 5.1% for the period under review compared to 3% in the previous financial year. Average volume for a month almost doubled from 211 units in 2013/14 to 404 units in 2014/15. Phenomenal growth is indicated between financial year entry volume of 304 units versus exit volume of 662 units respectively.

The promising performance of the three-wheeler category is mainly due to key strategic initiatives such as brand equity building of 'TVS King' on its new platform ("Dan Car Ekak Wagey - Just Like a Car") using well-researched consumer insights and attributes, as well as using King of Cricket Kumar Sangakkara as TVS King with an integrated mass media campaign. A post-research survey indicated tremendous acceptance of the proposition that the company proposed.

TVS King has been going through product innovation during period under review and has captured the attention of more aspirational group of customers. The engagement of those customers was evident in the TVS King range: TVS King Max, TVS King FB and TVS King FLD. These innovative local modifications have contributed 20% of the sales during the latter part of the financial year under review.

Rationalising market development activities towards ten focus markets has given tremendous advantages in resource allocation to consolidate the critical mass of the business. The change of the business model from traditional above the line demand creation to "focused market" and "activity lead" inquiry generation has shown remarkable success. Consolidating of strategic

Table 8

New Registrations of Motor Vehicles

	2012 (units)	2013 (units)	2014 (units)**
Two wheelers	192,284	169,280	224,265
Three wheelers	98,815	83,673	79,038

Source Central Bank Annual Report

*** Source : RMV Statistics*

Branded MAK Lubricants
dealer vehicles in Kurunegala

tie-ups with leading financial institutes also showed encouraging results. Network expansion on focus markets was almost doubled in its reach.

TVS Automotives (Pvt) Ltd

The lubricants business of TVS Automotives continued a consistent and strong volume growth for the second consecutive year. In 2014/15, sales volume grew by 28% over the previous year. More importantly, it recorded growth in a stagnant market - making MAK Lubricants among the top two fastest growing lubricant brands in Sri Lanka.

MAK's consistent growth is a result of the "pull" the company has been able to create with focused promotional initiatives. During the year, investments made on brand building amounted to almost Rs. 20 Mn, which was contributed by both the principal, Bharat Petroleum Corporation (India) Limited and TVS Automotives (Pvt) Limited.

The division's net profit increased to Rs. 34 Mn, marking a 29% increase over the budget and surpassed last years performance by Rs. 24 Mn. The profit growth was primarily contributed by the significant volume increase resulting from an island-wide presence. The consistent margins throughout the year too also helped to a lesser extent. The business' debtor position saw significant improvement to 67 days against the budgeted 80 days. This was a result of more stringent credit control initiatives implemented for the business.

TVS Automotives (Pvt) Ltd. recorded a growth in a stagnant market - making MAK Lubricants among the top two fastest growing lubricant brands in Sri Lanka

The outlook of the lubricants business for 2015/16 is expected to pose more challenges with the slowdown in the construction sector, increase in exchange rates and the uncertainty of an increase in interest rates. In addition, the base oil prices (the main raw material for lubricants) seem to be on a steady upward trend. The management, however, is optimistic about maintaining strong growth for 2015/16 by budgeting a 15% volume growth to ensure the brand will exceed 5% market share.

The tyre business has achieved a turnover of Rs. 246 Mn during the year under review against Rs. 293 Mn in the last year, registering negative growth of 16 %.

Trade receivables continue to be very high resulting in high investment in working capital. However, the cost of interest expenses on financing these investments has decreased substantially due to the reduction in rates of interest and restructuring of bank facilities. During the year under review, we focussed on debt collections so as to be within our trade debt norms, and we were partly successful. We plan on continuing with this effort.

FUTURE OUTLOOK

With Parliamentary elections round the corner there is an element of uncertainty as to which direction this new Government will focus its economic activities. The year under review started with low rates of interest and stable exchange rates, lower customs duties and other fiscal duties, were also prevalent. During the year rates of interest further reduced while the exchange rates moved favourably, customs duties etc continued to move up and down.

Rates of interest which are currently low as 7% should continue as a minimum. We hope customs duties etc will be lowered during the current financial year, thus ensuring that motor vehicle ownership is more affordable.

While exchange rates cannot be predicted accurately, especially the Japanese Yen Vs the Sri Lankan Rupee, decisions on imports of vehicles on ex stock basis will have to be carefully considered so as to not over burden our working capital while ensuring that stocks are available to supply our customers. We will constantly monitor exchange rates, interest rates and changes in duties and fiscal levies.

The change in economic dynamics will require UML, and its group of companies to adopt strategies of diversification and expansion to capitalise on the development plans of the Government.

These new strategies will focus on exploiting the new opportunities that will arise with the upturn of business in Sri Lanka. The new vision will indeed create many opportunities for companies such as yours to add to their portfolio of products and services.

Much more economic activity is possible with the opening up of the North and East. However to date that high-level is yet to be seen. It will take more time as people

A happy recipient of a pair of spectacles at Wijeyaba Maha Vidyalaya re-build their lives. We are cautiously optimistic that the North and East will return to its former self, sooner rather than later. To support this vision, the Company opened branch in Jaffna in January 2012. This branch provides a range of services which would include vehicle sales, workshop facilities and spare part sales counters. We are in the process of building a workshop in Jaffna on a property owned by us.

UML will continue to invest in building the Mitsubishi brand in Sri Lanka, upgrading all facilities including workshop facilities, spare parts availability, product availability, developing our human resource skills and upgrading and maintaining our group wide infrastructure system.

With this in mind we are upgrading, expanding and building new workshops and showrooms in Badulla, Anuradhpura, Ratnapura, Kurunegala, Kandy, Orugodawatte and Matara. Plans are also being draw up to develop our property at Ratmalana into a workshop and vehicle yard.

UNIMO Enterprises Ltd has a license to assemble vehicles of Chinese origin. We have assembled and sold over 450 such vehicles and the present demand for this vehicle is very encouraging, we intend assembling over five new products in 2016.

On the global front, the world economy is projected to grow at 3.5% in 2015 and 3.8% in 2016 from 3.7% in 2014.

The Si Lankan economy is expected to accelerate over the medium term, benefiting from positive economic activity locally and the trickledown effect of the expected growth globally.

UML RECORDED A TURNOVER OF RS. 8.3 BN COMPARED TO LAST YEAR'S TURNOVER OF RS. 7.0 BN WHICH IS AN INCREASE OF 18.1%.

Our economy is expected to register a GDP of 7.0% from the current 7.4% and reach 7.4% level over 2016 – 2018.

FINANCIAL REVIEW

In 2012 and 2013 GDP growth rates of 6.3% and 7.2% were achieved and this was achieved in the back drop of the end of a 30 year old conflict. The post conflict period was uncertain. However, since Presidential elections were held in 2015, the resulting political changes have been a major reason for the economy to show slight upward movement. The increase in GDP growth to 7.4% in 2014 was due to many reasons such as exchange rates, rates of interest. These together with high domestic consumption had a positive impact on the growth of the economy.

The automobile industry was also affected by the above variables and was additionally impacted by the rise in import duties and other import levies. World economies also did not recover as expected. This impacted Sri Lanka.

The year under review has shown improvement over that of the previous year with GDP growth of 7.4%, the rupee had appreciated verses the Japanese Yen. This has had a positive effect on vehicle prices. New increases in duty during the year dampened that demand and we still operate in reduced economic environment.

The availability of permits has significantly declined in the year under review and there are no indications of more permits being issued. As predicted in our management review last year the demand for vehicles fell further, the major reason for this is the increase in customs duties and fiscal levies. Due to the many variables, we are unable to predict demand levels for 2015.

All companies of the group showed improved performance over that of the previous year except for Orient Motor Company. Strategies are in place to turn around this company in the next financial year.

Turnover

Parent Company (UML)
The company recorded a turnover of Rs. 8.3 Bn compared to last year's turnover of Rs. 7.0 Bn which is an increase of 18.1%. Only the Vehicle Sales division and the Valvoline division exceeded budgeted turnover, all divisions exceeded last year sales performance except the Spare Parts and the Permit Sales Divisions for reasons mentioned previously.

The vehicle sales division which consists of the passenger vehicle sales truck and bus sales and permit vehicle sales exceeded budget and exceeded last year's performance in total. However, the permit vehicle sales division performed at a much lower level than last year's performance.

All our branches exceeded the previous year's profit and budgets except for the Matara and Ratnapura branches.
An Analysis of turnover by major product categories in comparison with the previous year is shown in Table 9 on the next page.

Subsidiary companies and jointly controlled entities.
During the year under review, all subsidiary and jointly controlled entities recorded turnover of less than the previous year except for TVS Lanka (Pvt) Ltd and TVS Automotives (Pvt) Ltd.

The subsidiary companies contributed Rs. 2.2 Bn towards group turnover, this excludes turnover generated by jointly controlled entities,

Management Review & Preview

Table 9

Activity	Company				Group			
	2014/15		2013/14		2014/15		2013/14	
	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%	Rs. Mn	%
Motor Vehicles	5,778.16	69.48	4,402.82	62.53	7,862.42	74.61	8,252.98	74.75
Spare Parts	1,478.49	17.78	1,750.70	24.86	1,478.54	14.03	1,751.39	15.86
Repairs & Services	573.70	6.90	520.70	7.40	538.00	5.11	460.98	4.18
Lubricants & Car Care	484.63	5.83	366.06	5.20	484.27	4.60	365.65	3.31
Tyres	-	-	-	-	174.96	1.66	209.79	1.90
Others	1.22	0.01	0.91	0.01	-	-	-	-
Total	8,316.20	100.00	7,041.19	100.00	10,538.19	100.00	11,040.79	100.00

as we now account for jointly controlled entities on the equity method.

Profit before tax

Parent Company (UML)

UML earned Rs. 1.59 Bn as profit before tax for the year under review compared to Rs. 1.98 Bn earned in the previous year. This decline is mainly due to fall in the issue of permits during the year under review and its resultant reduction in profits by almost Rs. 810 Mn.

The company also earned a gross profit of Rs. 2.5 Bn a decline of 13.2 % over that of the previous year.

Our continuous vigilance of overheads ensures that increases in cost are kept minimal. The initiatives made in the previous years to reduce the cost of fuel, utility costs and other maintenance expenditure continued into the current year and these efficiency measures have now been intrinsically woven into the operational model of the company. Investment in capital assets followed a very strict evaluation process and all capital investment initiatives continue to be on a fit for purpose basis.

Finance overheads in total showed a net income position of Rs. 386 Mn compared to Rs. 341 Mn income in the previous year. This interest income is mainly due to the surplus funds available for investment in the company and the substantial gains made from our Share portfolio.

Strict cost controls continue to be implemented throughout the company. Despite this a 7.5% increase in overheads amounting to Rs. 96 Mn was evident during the year. This was mainly due to increased expenses incurred in maintaining our outstation branches, the upgrading of all facilities at branch level and the general increase in services and other costs.

UML continues to invest in the stock market and as at the year end, our investments totalled Rs. 368 Mn down from Rs. 632 Mn invested last year. This investment brought us net dividends of Rs. 23 Mn and capital gains of Rs. 280 Mn during the year under review. The Company continued to invest excess funds in unit trust during the year which earned Rs. 52 Mn income.

Subsidiary Companies and Joint Venture Companies

During the year under review, TVS Auto Parts and Orient Motor Company Ltd recorded losses. TVS Auto Parts was sold during the year under review and the resultant loss on sale of this jointly controlled entity is accounted for in TVS Lanka.

We are currently working on strategies and alternate business plans to transform OMCL into a profitable entity. These include cost rationalisation, sourcing of alternative service providers, pricing strategies, network strategies and changes to the management structure. We are confident that this company will return to profitability sooner than later. Strong debtor and stock holding policies are also being implemented. The quarterly results of the company and group are shown in Table 10.

Finance cost

Parent company (UML)

UML is in an enviable position of having a net finance income position. There has been an increase in net finance income from Rs. 341 Mn to Rs. 386 Mn from 2014 to 2015. Finance cost also decreased from Rs. 39.4 Mn to Rs. 33.0 Mn.

Interest income is earned on surplus funds invested in call deposits and unit trust investments. Dividend income is a significant contributor to finance income.

We started the year when market rates of interest which were around 8% - 10% and due to reasons mentioned previously rates declined steadily throughout the year and we ended 2014/15 with rates in the region of 7% - 8%.

Subsidiary Companies

Our group earned a net finance income of Rs. 312 Mn increased from the Rs. 224 Mn earned in 2014. Unimo Enterprises contribution was the highest amongst the subsidiaries.

Increases in borrowings were evident in OMCL, TVS Lanka, TVS Auto Parts & TVS Automotives.

Table 11 shows financial cost and borrowings of the company and group.

Taxation

The budget for 2015 was presented in Parliament on the 24th October 2014 which set out a medium term frame work on developing,

- The SME Sector
- Domestic manufacture
- Welfare of people
- Knowledge economy
- Savings through social security.
- Concessions for new investments.

and other concessions on,

- Reduction in personal taxes for all employees
- Reduction in VAT rate to 11 %
- Reversal of VAT and NBT on imports for Motor Vehicles
- Simplification of the tax system - importation
- Revision of employment benefits
- Rural infrastructure development

The new Minister of Finance presented the Interim - Budget in Parliament in January 2015. This budget had significant impact on the UML Group.

(a) Motor Vehicle Industry

- Motor cars with engine capacity of less than 1000cc to enjoy a reduction of applicable taxes approximately by 15%
- Revision of excise duties applicable on hybrid vehicles
- Withdrawal of the usage of the depreciation table applicable at the point of importation
- Those who are in the business of importing brand new or used motor vehicles will be charged with an annual import license fee of Rs.1.5 Mn
- Manufactures and assemblers of motorcycles and three wheeler to enjoy a complete waiver of taxes on importation of spare parts

(b) Super Gains Tax

This is described in the notes to the financials in detail (Note No. 40 on page 172).

Table 10

	Company					Group				
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Turnover (Rs. Mn)	1,409.6	1,537.4	3,062.0	2,307.2	8,316.2	2,222.4	2,132.2	3,466.0	2,717.6	10,538.2
GP (Rs. Mn)	436.4	534.0	832.6	698.2	2,501.2	532.2	601.5	852.6	740.7	2,726.9
GP to Turnover	31.0%	34.7%	27.2%	30.3%	30.1%	23.9%	28.2%	24.6%	27.3%	25.9%
PBT (Rs. Mn)	208.5	277.8	487.4	612.5	1,586.2	228.3	288.1	464.6	644.8	1,625.8
PAT (Rs. Mn)	182.3	202.4	345.9	506.2	1,236.8	192.6	208.4	321.9	539.4	1,262.3
PAT to Turnover	12.93%	13.17%	11.30%	21.94%	14.87%	8.67%	9.77%	9.29%	19.85%	11.98%

Table 11

Year	Company			Group		
	Borrowings Rs. Mn	Finance cost Rs. Mn	Interest cover (No. of times)	Borrowings Rs. Mn	Finance cost Rs. Mn	Interest cover (No. of times)
2013/14	242.1	39.4	51.30	911.0	66.80	33.55
2014/15	573.9	33.0	49.05	1,218.6	82.40	20.74

Management Review & Preview

Working capital and liquidity

Parent Company (UML)
Interest bearing borrowings in 2014 increased to Rs. 463 Mn from the Rs. 101 Mn borrowed in 2013, this increase in borrowing was mainly due to the need to fund a very large order.

The Land (Restrictions on Alienation) Bill does not allow us to purchase any land effective from 1st January 2013 with relief for purchases in between then and until October 2014, as we are deemed foreign owned company, as such there was no investments in land after the bill was passed. Details of the land owned by this company are given elsewhere in this report.

We have plans to develop all properties purchased. Further Rs. 368 Mn of investments in non-current investments has been funded by internally generated funds.

Inventories increased during the year under review as we had to stock all our branch showrooms with vehicles for display. Also the single large order we received contributed to higher than usual Inventories and Trade receivables, the situation has now returned to normal.

The liquidity of the company and group are shown in Table 12 below.

The profits made by both Unimo Enterprises Limited (UEL) and TVSL and the turnaround of inventories and debtors of other companies have contributed towards a healthy position of group liquidity.

The change in the value of assets over that of the previous year is shown in table 13 below.

Shareholder funds

The total numbers of ordinary shares in issue is 100,900,626 at present, an increase during the year under review of 33,633,542 shares due to a subdivision of shares, in the ratio of two existing into three shares, without affecting any increase in the Stated Capital. Shareholders' funds increased by over 34.8% over that of the previous year, mainly due to the revaluation of land during the year under review, the surplus of which is reflected in this increase.

Table 12

	Company		Group	
	31-Mar-15	31-Mar-14	31-Mar-15	31-Mar-14
Current Ratio	3.24:1	4.11:1	2.88:1	3.15:1
Quick Asset Ratio	1.44:1	1.79:1	1.32:1	1.31:1
Debt/Equity %	6.4%	3.6%	11.7%	11.3%

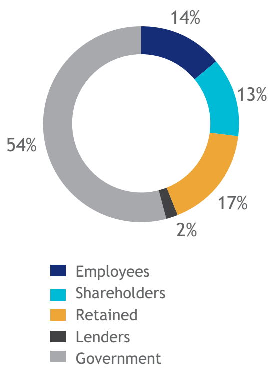
Table 13

	Company			Group		
	31-Mar-15	31-Mar-14	Increase / (Decrease)	31-Mar-15	31-Mar-14	Increase / (Decrease)
	Rs. Mn	Rs. Mn	%	Rs. Mn	Rs. Mn	%
Intangible Assets	2.5	4.0	(37.5)	5.7	7.5	(24.0)
Property, Plant & Equipment	4,333.1	2,536.7	70.8	4,631.5	2,898.0	59.8
Investment Property	150.9	151.4	-	-	-	-
Other Investments- Non current	782.3	1,109.7	(29.5)	1,095.8	1,337.2	(18.1)
Defined Benefit Obligation - Plan Asset	107.5	107.1	0.4	111.1	108.6	2.3
Deferred Tax Asset	12.4	25.5	(51.4)	24.0	40.2	(40.3)
Inventories	2,995.0	2,140.5	39.9	3,934.1	3,323.6	18.4
Trade & Other Receivables	1,279.7	951.6	34.5	1,699.2	1,438.3	18.1
Amounts due from Related Parties	15.2	24.9	(39.0)	1.1	6.6	(83.3)
Current tax receivables	-	-	-	27.2	5.4	100.0
Other Investments- current	924.5	503.5	83.6	1,402.9	703.6	100.0
Cash and Bank Balances	177.7	162.3	9.5	216.5	207.8	4.2
Total Assets	10,780.8	7,717.2	39.7	13,149.1	10,076.8	30.5

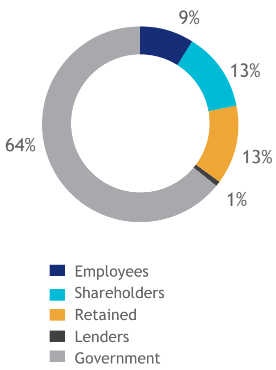
Economic Value Added Statement

For the year ended 31 March	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Sales	10,538,194	11,040,794	8,316,203	7,041,192
Other income	486,224	322,825	488,609	422,627
	11,024,418	11,363,619	8,804,812	7,463,819
Less: cost of goods & services brought in	(6,245,143)	(4,673,026)	(4,945,634)	(2,729,527)
Value added	4,779,275	6,690,593	3,859,178	4,734,292
Distributed as follows:				
To employees as remuneration & premature retirement payments	687,615	624,812	601,694	537,003
To the government as taxes	2,597,554	4,278,935	1,901,814	2,646,919
To the providers of capital				
-Dividends	605,404	874,471	605,404	874,471
-Interest on loans	82,362	66,792	33,007	16,668
	3,972,935	5,845,010	3,141,919	4,075,061
Retained within the business				
-Depreciation	137,521	116,347	73,015	59,322
-Reserves	668,819	729,236	644,244	599,909
	806,340	845,583	717,259	659,231
Value added	4,779,275	6,690,593	3,859,178	4,734,292

2015



2014



Sustainability Review

OUR STRATEGIES ARE AIMED AT INCREASING VALUE TO ALL OUR STAKEHOLDERS WHILE MAKING A POSITIVE IMPACT ON SOCIETY

It is our belief that we cannot excel in financial performance alone. Sustainable long term growth requires resources such as knowledge and skills of our employees, good partnerships with our business partners, distribution channels, quality products and services which customers look for, a brand that communities recognise as a responsible and environmental friendly entity, among others. Our strategies are aimed at increasing value to all our stakeholders while making a positive impact on society with a minimum negative impact on the environment. Ultimate responsibility of ensuring that due consideration of economic, social and environmental performance in the formulation of our goals and strategies and in our decision making process is vested with the Board of Directors. Under the guidance of the Board, this responsibility is delegated to the Group Chief Executive Officer/Executive Director and Senior Management Committee who embeds such concerns into our business strategy.

OUR STAKEHOLDERS

It is of importance to have an understanding of all stakeholder needs and to be responsive to their expectations, to ensure sustainability of operations in achieving performance objectives. The Company continuously monitors stakeholder expectations against delivery and mitigating strategies are put in place where required. We have identified stakeholder based on two criteria,

- Parties who have the ability to influence our value creation process
- Parties who are influenced by our value creation process

Accordingly, our stakeholders are;

- Our Customers
- Our Shareholders
- Our Employees

Over 50,000
Facebook likes

- Business partners
- Community
- Environment
- Government and regulatory authorities
- Lenders

The methods of engagement with the key stakeholders are summarised below.

CUSTOMERS

We are a customer-centric organisation that strives to provide them the best, by offering world class products and services. The company's business model aims to cater to the diverse needs of customers while enhancing the overall service experience. Realising that customer requirements are ever-changing, the Group has developed a diverse portfolio of products and services which would help them make the best choice, depending on their requirement and budget.

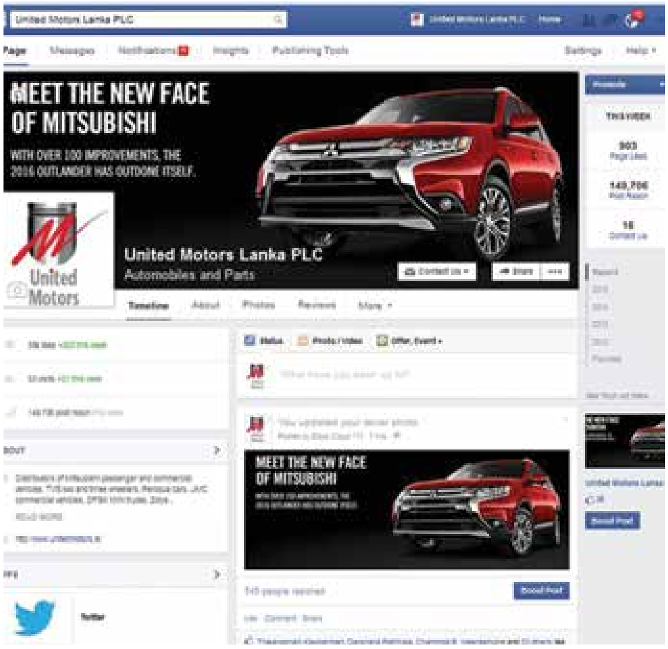
Focused on driving superior customer care, a deep sense of customer perception has been instilled in every customer touch point. The year under review has seen the strengthening of existing systems and processes to promote service excellence.

During the year, more emphasis was placed on customer interactions such as displays, sponsorships, exhibitions, service campaigns etc., while reducing our dependency on traditional media such as TV, Radio and Press. This approach was adopted, taking into consideration the change in customer behavioural patterns.

Another area that the group focused on was enhancing brand value through digital marketing, which is now rapidly taking over traditional marketing strategies. The first step was to strengthen our presence on Facebook which is the most active online platform in Sri Lanka with over 3 million users. During the year under review, a fan base of over 50,000 was secured while it is estimated that the new financial year will see the company strengthen its presence on other platforms such Twitter, Instagram, Youtube, Linkedin, etc. This strategy is expected to help the company to connect with Generation Y which is extremely active on the digital space.

In order to maximise its engagement with customers, the company together with leading financial institutions offered customers specialised financial solutions.

The year also saw the fine-tuning of systems that help us reach customers. A substantial budget was allocated for a customer call centre and the groundwork has been laid for the setting up of this centre during the next financial year. It was felt that a call centre would help to keep customers connected to the company in a greater way, and thereby, increase customer satisfaction. We have also introduced an after-hours voice recording, which enables staff to return customer calls the following day with precise solutions to their queries. In addition, the effectiveness of our sales advertisements is also being monitored to ensure that the target audience is reached directly.



Our presence on Facebook was strengthened during the year

Furthermore, during the financial year under review, an automatic SMS Alert system was put in place to remind customers of the services due for their vehicles. Our alerts prove handy to customers who are given sufficient notice. Moreover, the customer care staff also obtain feedback post-service from the customer. Additionally, the bill value of service or repairs will be communicated to car-owners via SMS directly, as many vehicles are brought in by chauffeurs. This offers transparency and clarity to the customer, which will be greatly appreciated. Further, when new vehicles are sold, customer information is captured and the customer database is updated for future communication.

Awareness on the shuttle service to customers

Meanwhile, our customer lounges and waiting areas are in the process of being upgraded so that the customer is treated to a pleasant and comfortable stay as we attend to their vehicle. We also introduced a shuttle

WE CONTINUOUSLY STRIVE TO IMPROVE OUR CUSTOMER SERVICE LEVELS

service for customers who drop their vehicles off at our workshop to be transported to Colombo/ Orugodawatte.

We have also taken the initiative to bring back the customers who have not visited our workshop in order to reignite their relationship with the company, which in turn, helps us update the data base. In fact 5,900 customers who had not visited our workshops in four years were identified and contacted personally through the closest UML branch. It is expected that these efforts will bear fruit and that these customers will revive their link with the company.

In order to ensure and enhance our customer relationship, the company carries out frequent surveys which include cross sectional and mystery customer surveys, customer drop analysis, etc., which helps us to understand our customer requirement better and ensure that we deliver higher standards. We continuously strive to improve our customer service levels and minimise complaints by serving our customers 'Promptly, Accurately and Caringly' as per our customer service motto.

Customer service initiatives

The Api United concept is guided by an internally developed customer care code, implemented through Cross Functional Teams, educate staff on the code of conduct and build awareness of its application. This continues to help to improve our customer service levels. This process has resulted in an ongoing awareness creation that includes all grades of employees contributing towards improving service levels in the organisation over the years. Customer service posters, group emails and various communications were developed and circulated to our employees from time to time and employees were educated on best practices, cross functional activities and the importance of customer service excellence. The year under review saw the appointment of a new Cross Functional Team which is believed to take this initiative to the next level with a new perspective.

Our customer service motto is 'Promptly, Accurately and Caringly'.

Our customer service communications

Managing customer complaints

The complaint management process has been designed to capture customer grievances. The customer care team resolves these complaints in order to provide a quick solution to customers. Further, preventive measures are taken where required to avoid or minimise repetitions of customer complaints.

Customer loyalty programme

Our Privilege Circle loyalty programme has grown in membership since its introduction in 2011. We have also begun Lube Service Rewards, which rewards a customer when five services are carried out offering the next one free, provided that the vehicle is brought in for service every six months. We also endeavour to educate our customers about the importance of regular maintenance and service for their vehicles so that they function at the optimum level.

Way forward

We will strive to improve our customer service initiatives, internal systems and service delivery to be a customer centric organisation that delivers beyond customer expectations.

SHAREHOLDERS

As a listed company governed by numerous regulatory provisions under the Securities and Exchange Commission (SEC) and the Colombo Stock Exchange (CSE), we are bound to deliver maximum value to our investors whilst adhering to the above regulatory procedures. We conduct our business in a manner which adds value to our investors and manage the risks faced by the Company prudently following good corporate governance practices at all times. We are also cognizant of the fact that it is our duty to engage our investors by giving due consideration to their ideas and providing them with timely and accurate information on the affairs of the Company.

Enhanced shareholder value through increased return on investment

Our entire business is modelled to create sustainable value to our stakeholders and as our primary stakeholder; the key share of the value we create through our business is allocated for our investors.

During the year under review, in order to increase the liquidity of the shares in the market the number of issued shares of the Company was increased by way of a sub division.

It can be seen from the graph that shareholders' funds, net assets per share and market capitalisation have increased over the years. Our asset base has accumulated steadfastly over the years and provides a strong foundation which ensures that the Company is able to withstand the competitive business environment. Our prudent corporate strategies have resulted in the delivery of a consistent return on capital employed in the business, thereby enhancing shareholder wealth.

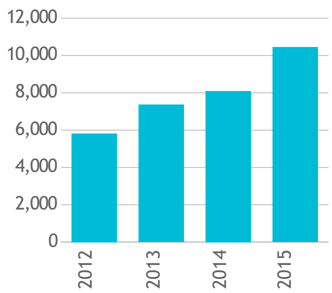
Recognition of employees who excelled in customer service

Over the years, UML has delivered on its promise to shareholders by ensuring a consistent return on their investments through capital appreciation and dividends, providing one of the most consistent and dependable investment opportunities to investors.

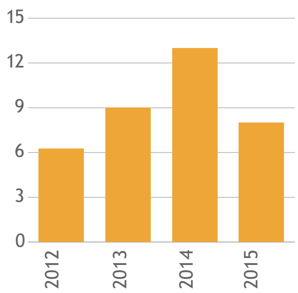
We believe in conceptualising and implementing long term strategies aimed at ensuring a high return on capital employed, and this will be our focus in the future.

	2012	2013	2014	2015
Shareholder funds (Rs. Mn)	5,816	7,370	8,097	10,436
Dividends per share (Rs.)	6.25	9.00	13.00	8.00
Net assets per share (Rs.)	57.65	73.05	80.25	103.42
Market capitalisation (Rs. Mn)	7,265	6,458	8,274	8,889

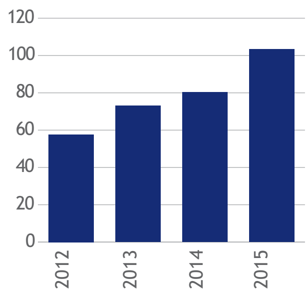
Shareholder Funds
(Rs.Mn)



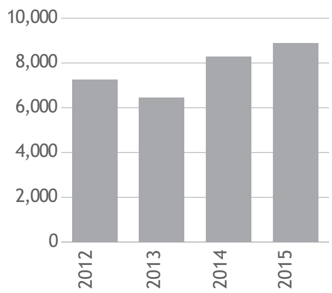
Dividends Per Share
(Rs.)



Net Assets Per Share
(Rs.)



Market Capitalisation
(Rs. Mn)



25th Annual General Meeting

Our entire business is modelled to create sustainable value to our shareholders

Communications with shareholders

The Company is committed to enhance shareholder relationships through regular communications with both individual and institutional shareholders with balanced and understandable information about the company and performance. The Company strives to ensure that all shareholders have readily and timely access to all publicly available information of the Company.

The Shareholder communication policy promotes effective communication with shareholders to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

The Annual General Meetings and other General Meetings of the Company is the primary forum for communication with shareholders and for shareholder participation. The Company encourages shareholders to participate in Annual General Meetings and other General Meetings. If the shareholder is unable to attend they can appoint proxies to attend and vote at such meetings for and on their behalf. Notices of General Meetings, accompanying papers, circulars and required documents are circulated to shareholders within the prescribed time. At the shareholders' meetings the Board of Directors, Members of the Board Sub committees, and Auditors, where needed, are available to provide clarification to shareholders if necessary.

The quarterly financial statements and annual reports are produced in accordance with the Listing Rules of the Colombo Stock Exchange and other applicable laws and regulations. From time to time, the Company communicates other information to Shareholders by way of Company announcement and/or circulars, in compliance with regulatory requirements.

The Company's website (www.unitedmotors.lk) provides information on the Company, including the annual reports. In addition to the annual reports, relevant press releases and announcements are also made available on the Company's website to facilitate communication between all stakeholders of the company.

Shareholders may, at any time direct questions, request for publicly available information and provide comments and suggestions to Directors or Management of the Company. Such questions, requests and comments can be addressed to the Company Secretary by post to 100, Hyde Park Corner, Colombo-2 or by email to ir@unitedmotors.lk

EMPLOYEES

People are at the heart of everything we do. Providing a great place to work is critical component of our journey towards sustainable performance. To develop a sustainable business, it is important to attract, retain and develop appropriate skills and to provide open, safe, inclusive and stimulating working environment that meet the employees expectations.

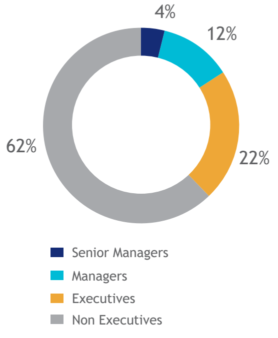
We believe that every employee wants to be part of a winning organisation and have their contribution valued by the management and their peers. Employees thrive on performing meaningful work and knowing their contribution to the success of the organisation. In order to develop a sustainable relationship we duly recognise the accomplishments of our employees and offer them many opportunities for learning and growth.

Staff Strength

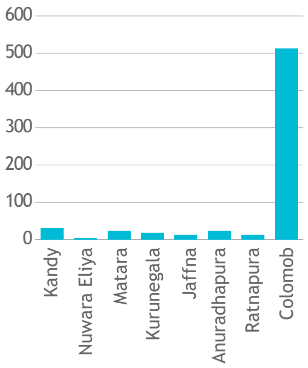
Location	Total Employees
Kandy	30
Nuwara Eliya	4
Matara	23
Kurunegala	18
Jaffna	13
Anuradhapura	23
Ratnapura	13
Colombo	512
Total	636

Category	No of Employees	Percentage
Senior Managers	23	4%
Managers	75	12%
Executives	143	22%
Non Executives	395	62%
Total	636	100%

Employees
(Category wise)



Employees
(Location wise)



At United Motors Lanka PLC (UML) out of 636 employees, the majority of our staff, 91% are in permanent cadre and only 9% staff are on fixed term contracts. Out of our total staff strength, 81% is based in Colombo while the balance 19% is at the branches island wide.

The company's employment policy ensures that we recruit the candidates best suited for positions, applying fair, objective and accepted evaluation methods. New employees are made aware of the company's shared vision, objectives, policies, procedures, rules, regulations and day to day business practices through the induction programmes designed to help them integrate smoothly in to their roles.

UML IS COMMITTED TO MAINTAIN A WORK ENVIRONMENT WHERE ALL EMPLOYEES ARE OFFERED EQUAL OPPORTUNITY AND VALUED FOR THEIR DIVERSITY

Employee engagement

Employee engagement is our top business priority. We are aware that the employee engagement brings out the best of innovation, productivity and bottom-line performance while reducing costs related to hiring and retention in highly competitive talent markets.

Culture at UML is such that the employees and management work together towards a shared vision. We encourage employees to express their suggestions and grievances openly to senior management. All employees are encouraged to actively participate in idea generation and problem solving.

Equal opportunity employer

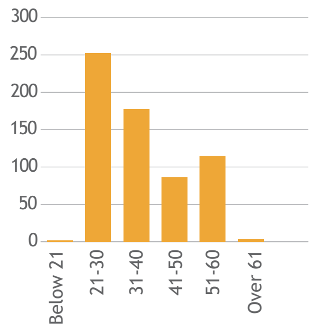
UML is committed to maintain a work environment where all employees are offered equal opportunity and valued for their diversity.

We believe that a diverse workforce enhances our business and that a wide range of experience, skills and qualifications, enable us to provide a higher level of service quality and excellent customer satisfaction.
We support our belief by practicing principles of equal employment opportunity, wherein functions such as recruitment, promotion, compensation, benefits, training and development and social recreation programmes are of a non-discriminatory nature. The Company does not discriminate on the basis of gender, race, age, social origin, disability, religion or any other basis.

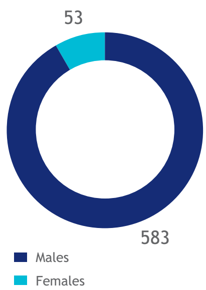
Employees age wise

	Number of employees
Below 20	2
21-30	252
31-40	177
41-50	86
51-60	115
Over 61	4
Total	636

Employees
(Age wise)



Employees
(Gender wise)



UML is committed to ensuring diversity at workplace and makes an ongoing effort to drive gender diversity across the group companies. We encourage female participation at all levels of management with a strong belief that a diverse workforce adds great value to the business. The nature of our business is such that requires a higher percentage of males at the operational level specially at the workshop. Despite this, we maintain an open mind and recruit female employees for many business functions as possible. The total female participation at UML is 10%, the majority of our staff: 40% is young and dynamic, falling between the age group of 21-30 years.

Performance management

Comprehensive human resource management policies are in place to support the effective performance management. The performance management system is structured and aligned with our organisation's vision and strategic direction.

We believe that an effective performance appraisal system helps us to build a performance driven culture. Therefore all employees are subject to performance evaluation at regular intervals and feedback is given to enable the employees to gain insights into how they can enhance their performance.

Males 583
Females 53
Total 636

The annual performance evaluation consist of three areas, the Key Performance Indicator(KPI) represent 70%, the competencies represent 20% and 10% is allocated to customer care rating.

Employee KPIs are linked to divisional and organisational goals, the assessment of the extent to which employees have achieved their KPIs serves as a key driver of employee productivity in the company.

Internally developed competency library with specific definitions and criteria for different levels of competencies, facilitate supervisors to determine the level of required competency for each position. The competencies mapped at individual, departmental and company levels prove to be a valuable source for customising training and development initiatives.

Training and development

Learning and development forms the cornerstone of our strategy to develop our resources to meet evolving needs of customers and other stakeholders. At UML, we are committed to developing our people and building a high performing team through training and development. The annual training plan prepared before the financial year forms the blueprint for training and development activities for the coming year and is designed in accordance with training needs analysis, based on information gathered from performance appraisals, employee survey comments and recommendations from the Heads of Divisions.
Each training programme is evaluated to assess the achievement of expectations and the programme is monitored in line with the plan.

Out bound training at Bandaragama

Our investment in training and development activities during the current year increased by 36% than the last financial year. Our increased focus on training activities this year resulted in an increase of 11% in the total number of man hours over the previous year.

During the year under review, on average we have spent 3,337 man hours for ‘managers and above category’, 5,725 man hours for ‘executives’ while the ‘non-executive staff’ were trained for 5,848 man hours. The increased man hours reflect the greater effort focused in training compared to the previous year.

Further, we strengthened the leadership skills of the heads of divisions through several programmes. The leadership development programme held in Singapore enabled the top team to identify their personality types, leadership styles and to lead and manage change effectively.

Communication skill is considered a vital area for all most all employees. In order to improve the communication skills the company invested in specialised business communication programmes throughout the year. Programmes were conducted in Colombo by leading Institutes for more than 100 staff over a period of three months and the ongoing programmes at the branches totalling to 1,532 man hours has improved the business communication of our staff in a practical environment.

We have also conducted separate training programmes to cover functional areas such as HR, Finance, Marketing, Sales, and Information Technology. The Grooming and personality development programmes were conducted across the company to help the staff to improve their personality & groom themselves in the business world.

The Group uses outbound training effectively to build trust, enhance team spirit and motivate employees to get their full potential by participating in several team activities outside the workplace. Fifty of our staff members benefited from this programme conducted in Bandaragama.

The M-Step programme is considered a special technical training for workshop employees conducted by internal resource persons; it provides an ideal platform for our workshop employees to enhance their knowledge on vehicles systems. During the year, 38 employees have successfully completed seven programmes by completing 1,360 man hours of training.

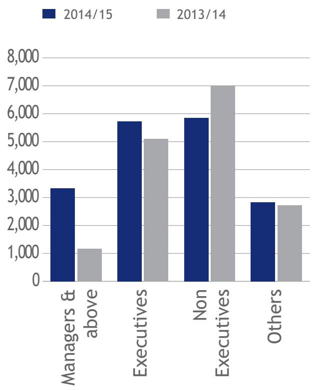
The M-step Programmes are monitored & evaluated periodically to ensure that the technical staff competencies are up to the required levels. We also ensure that our stakeholders such as the dealers, customers, and fleet owners are given sufficient opportunities to be trained by our internal technical resource persons.

Our focus is not merely on local training but on overseas technical training as well. During the year, 11 employees have gone through five special technical training programmes in Japan and India.

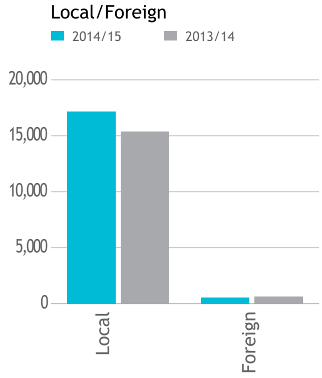
Training & Development - Hours

		Total Man Hours 2014/2015	Total Man Hours 2013/2014
Category	Managers & above	3,337	1,175
	Executives	5,725	5,100
	Non Executives	5,848	7,002
	Other	2,828	2,718
	Total	17,738	15,995
Type of training	Local	17,194	15,372
	Foreign	544	623
	Technical	6,466	5,224
	Non- Technical	11,272	10,771

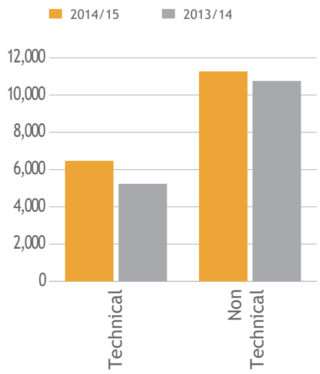
Training & Development - Man Hours



Type of Training Local/Foreign



Type of Training Technical/Non- Technical



OUR REWARD AND RECOGNITION POLICY IS DIRECTLY LINKED TO EMPLOYEE PERFORMANCE

Strength of togetherness

Leadership succession

To ensure longevity and economic viability, we have built a succession pipeline identifying key positions and have established processes to groom and develop identified successors to take up leadership positions in the future. Tools such as competency mapping, personal development planning, opportunities in different projects/teams are leveraged upon to provide growth opportunities for upward mobility and career enhancement.

Rewards and recognition

UML's remuneration policy is designed to attract, motivate and retain staff with appropriate professional, managerial and operational expertise to achieve the objectives of the company and to boost employee morale and in helping them to sustain their growth momentum. Our reward and recognition policy is directly linked to employee performance and is a clear and a transparent process. During the year, to annual increments upto a maximum of 16% of basic salary based on the individual appraisal rating, a customary bonus of one month and a variable performance bonus of upto five and half months salary was paid to all eligible employees.

The incentive schemes in place for all profit centre staff motivate them for higher productivity levels and greater efficiencies to stretch beyond and deliver exceptional performance. During the year, 14 vehicle sales, spare parts and Valvoline staff members were awarded company sponsored foreign trips for their excellent annual performance.

Relationship with employees

We are proud of the inclusive and participatory management style across the Group. Throughout the group, the importance of team spirit is upheld and promoted amongst employees through various means. The cross functional teams such as Apiunited Customer Care Team, CSR Team, Green Teams etc have enabled us to optimise the Group's sustainability vision through team work.

We encourage open and direct dialogue throughout the company, gathering positive suggestions/ideas that help to promote both individual and company well-being. The open-door policy encourages our people to share their views efficiently and to seek assistance from the management.

The company's internal communication process is strengthened on a continual

Grooming and Personality Development training programme being conducted at the head office basis to reinforce the culture of sharing and cooperation that makes UML a preferred employer. Employees are kept up to-date with management decisions and other relevant information via internal messages circulated through the group email messages, notices and so on.

Employee welfare

We provide many opportunities such as sports days, get-togethers, spiritual and religious events to help employees de-stress and to engage with the team members.

The UML annual pirith chanting ceremony was held in September 2014 to invoke blessings on staff and the organisation, followed by alms giving on the next day.

The annual UML get-together held in December 2014 at MAS Fabric Park, Thulhiriya was a successful event.

As part of our employee welfare and support initiative to motivate employees and build loyalty towards the company, we continued to provide educational support for children of staff. We have established three scholarships for children of employees that recognise achievements at the Grade 5 scholarship exams (Tikiri), the Ordinary Levels (O/L) (Navum) and the Advanced Level (A/L) examinations (Yovun). During the current year, we awarded "Tikiri" scholarships for 3 children, "Navum" Scholarships for 10 children and "Yovun" Scholarships for 9 children who excelled in their exams. To support our children's educational development, we also distributed book vouchers to the value of Rs 1,000 each among 302 children of our staff.

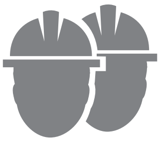
UML also support staff with loan facilities on special interest rates, a comprehensive medical scheme for the family, special medical insurance for accidents, critical illnesses and reimbursement of membership in professional institutes etc.

Annual pirith ceremony at head office

Scholarship programme for employees' children

Annual staff get together at MAS Fabric Park, Thulhiriya

Distribution of book vouchers



We pride ourselves on ensuring a safe and secure workplace for our valued employees.

Health and safety

Occupational Health and Safety is a key focus area at UML Group and we pride ourselves on ensuring a safe and secure workplace for our valued employees. We conduct various activities related to health and safety such as safety training, fire drills etc and our employees are equipped with safety equipment to ensure incident free operations.

To maintain a healthy workforce, we offer a comprehensive medical insurance scheme for all eligible employees and their families. The Body Mass Index (BMI) facility was initiated to raise awareness about health and well-being amongst employees.

Employee satisfaction

An employee satisfaction survey (Organisational Health Index- OHI) was conducted during the year to feel the pulse of employees and to provide opportunity for employees to openly express their views about the level of satisfaction in the areas of communication, teamwork, job/work, job satisfaction, recognition, relationship with superiors and career development.

The survey also measured the internal customer satisfaction to identify gaps and areas for improvement in support services.

The overall OHI has shown consistent growth since its introduction in 2011. The OHI index for 2014/2015 was 72%. The job satisfaction was at 80% while the relationship with the superior improved to 79%. 85% of the employees recommended this company as a good place to work and 73 % employees have expressed satisfaction with their career progression thus far.

Survey results are taken up separately with the heads of divisions and divisional staff. The outcome of the survey is a key results area for heads of divisions, functional managers and the team leaders to improve areas that need attention in their respective areas of responsibility.

Employee retention

Employee retention can be backed up by the high retention rates enjoyed by the company with the turnover rate of only 1.22 %. We strive to provide a positive workplace that nurtures and grows our talents to achieve their full potential.

We have a clear strategy to increasing employee retention rates with career mapping, equality, respect & upholding employees' dignity, remuneration package in par with the industry, ample opportunities for rewards and recognition.

Enhancing productivity

Boosting productivity and enhancing efficiencies across the value chain is a key endeavour and we consistently focus on these aspects through various means. We have focused on increasing investments in systems and processes while simultaneously training our people to be better geared to deliver higher productivity. Besides enhancing efficiency and improved customer satisfaction the productivity improvements enabled us to reduce costs and wastage.

A blend of development and training focused productivity improvements and recognition of employees have helped to drive visible productivity enhancements during the year.

During the year under review, we persisted in raising awareness about how greater productivity helps employees and the company, creating a mutual win-win situation. Quality controls were stepped up during the period through productivity awareness programmes, training in quality circles, 5S and Kaizen concepts and the divisional reward scheme at UML workshops. These initiatives have produced impressive results thus and will be consistently pursued in the months ahead.

GCEO/ED addressing the Staff at the New Year Celebration

UML WORKSHOP TEAM WON THE BRONZE AWARD AT THE NATIONAL BUSINESS EXCELLENCE AWARDS

National Productivity Awards - Service Sector, Large Scale

Awards and accolades

Over the years, UML has won numerous awards and accolades. During the year under review, the UML workshop team won the Bronze award at the Continuous Improvement Team Competition at the National Business Excellence Awards organised by the National Chamber of Commerce, Sri Lanka in 2014.

The UML workshop accomplished a great achievement by winning second place in the National Productivity Award for the large scale service sector at the National Productivity Awards ceremony organized by the National Productivity Secretariat in June 2014. The award recognized the company for its outstanding productivity in service quality and efficiency. This is the first time the company took part in this competition. The criteria evaluated were leadership, planning and methodology, physical environment, human resources environment, information, communication, environment and techniques, customer service, relations and results that include organisational goals and objectives based on a Key Performance Index.

Industrial relations and human rights

UML is committed to proactive improvement of its relationships with its workforce. As the first step in achieving this, we uphold human rights in our workplace and ensure that every single employee is treated with equality, fairness and justice. We have installed a number of systems and process to ensure this is implemented across the Group. We ensure collaboration and consistency between staff and management on all labour aspects and have an extensive grievance handling mechanism in place to resolve any conflicts.

Child labour

The company practices zero tolerance for child labour and complies with ILO principles on child labour. We do not employ anyone below the age of 18 and stringently follow the legislation with regard to child labour. We strongly uphold the elimination of child labour in all its forms and ensure that our service providers also adhere to our policies on child labour.

Code of conduct, ethics and anti-corruption behaviour

UML Group employees are apprised of their expected behaviour via clear guiding principles laid out in the employee handbook. Besides the detailed dos and dont's listed out in the handbook, we also have an established code of conduct and ethics, which defines employee responsibilities and guides them. UML expects all its employees to ensure compliance with the laws and regulations applicable to its business. Moreover, the Code directs employees towards ethical conduct which helps uphold high standard of business integrity.

OUR BUSINESS PARTNERS

Nurturing our relationship with our business partners

Our relationship with business partners has been nurtured over the years. This has been in line with our vision of diversification and our strategy of entering new business segments within the automobile industry. From our inception as the sole distributor for Mitsubishi vehicles, today, we have developed a diversified portfolio which serves a widespread market across Sri Lanka. The UML brand boasts a rich heritage of stability, corporate governance and dynamism. The Company been selected by global partners to represent brands such as Mitsubishi passenger and Daimler Fuso commercial vehicles from Japan, Perodua compact cars from Malaysia, JMC commercial vehicles, DFSK vans & mini trucks, Morris Garage (MG) cars and Zotye compact SUVs from China, Yokohama tyres from Japan, JK tyres and MAK lubricants from India, Valvoline lubricants and Eagle One car care products from the USA, Simoniz car care products from UK along with TVS two-wheelers and three-wheelers from India.

In order to retain our business partners we have stretched ourselves to meet our business partners 'expectations in terms of meeting sales targets, making the product available at all times with easy access to customers, after sales service standards, attracting new customers and maintaining existing customers.

Over the years, we have invested substantially throughout the island in upgrading our service facilities to the standards set by our business partners. We ensure that our technical staff are constantly updated on technological developments by giving them the required foreign training.

INCREASING OUR MARKET SHARE REQUIRES CONTINUOUS IMPROVEMENT TO OUR PRODUCTS AND SERVICES

Growing the market share of our business partners

We have a substantial market share in many market segments and we have been able to grow our market share. Increasing our market share requires continuous improvement to our products and services. We constantly seek new products based on our core competencies and emerging opportunities. We grow our product portfolio by adding new business partners. UML's multi-brand strategy has enabled us to offer a wider choice to customers at different price points, and strengthened its position as a total transportation solutions provider, while also helping the company to spread its risks in the highly volatile market in which it operates.

Product responsibility

Our business partners representing leading global brands, market some of the most responsible products in their respective categories. We are committed to keeping abreast with developments and offer the latest products of our business partners to the local market. Our product responsibility lies with the sales and after sales. As much as we are committed to generate sales, we have always been concerned about after sales performance as well.

Our business partners and brands we represent are given on the next page;

MITSUBISHI MOTORS
Drive @ earth

MITSUBISHI MOTORS CORPORATION, JAPAN (MMC)

The history of Mitsubishi Motors Corporation dates back to 1870, the year that the Tsukumo Shokai shipping company was founded. Mitsubishi Heavy - Industries can trace its origins to Tsukumo Shokai, which launched the "Mitsubishi Model-A" project in 1917. Mitsubishi Motors became an independent Company in 1970 when the automobile division was spun off from Mitsubishi Heavy - Industries. In 2003 the Company was reborn as the new Mitsubishi Motors, a manufacturer that specialised in passenger cars.

MMC has production facilities in 19 countries, and its vehicles are sold and serviced in more than 170 countries worldwide.

FUSO

MITSUBISHI FUSO TRUCK & BUS CORPORATION, JAPAN (MFTBC)

Mitsubishi Fuso's history dates back to 1932 and the FUSO B46 Bus. MFTBC is a fully consolidated business unit of Daimler Chrysler, the world's largest commercial vehicle manufacturer. As a member of the Company's Truck Group, Mitsubishi FUSO takes its place alongside Mercedes-Benz and Freightliner, two of the world's leading truck brands. Mitsubishi FUSO plays a crucial role as the group's Asian pillar and centre for light-duty trucks and hybrid technology, enabling a global leadership position in these areas. Mitsubishi FUSO's technology development is focused on three inter-related areas - fuel efficiency, environmental sustainability and safety.

Valvoline.

VALVOLINE, USA

Valvoline, a division of Ashland Inc., which started its lubricant operation in 1866, serves more than 140 countries worldwide and is a leading marketer, distributor and producer of quality branded automotive and industrial products and services. Products include automotive lubricants, transmission fluids, gear oils, hydraulic lubricants, automotive chemicals, speciality products, greases and cooling system products. It became an active member of the Fortune 500 Company listing by achieving an operating revenue of US$ 8 billion. Presently they operate 30 fully owned blending plants in various parts of the world.

Valvoline also offers Eagle One car care products for automotive cleaning and maintenance and operates Valvoline Instant Oil Change, the second largest quick-lube chain in the US.

sojitz

SOJITZ CORPORATION, JAPAN

Our trading partner in the supply of Mitsubishi & Mitsubishi FUSO vehicles is a part of the Sojitz Group that produces new sources of wealth by connecting the world's economies, cultures and people in a spirit of integrity. Sojitz has several divisions, namely, "Machinery & Aerospace", "Energy & Mineral Resources", "Chemicals & Plastics", "Real Estate Development & Forest Products", "Consumer Lifestyle Business", "IT Business", etc. It has 409 subsidiaries and 216 affiliates all over the world.

TVS MOTOR COMPANY LTD, INDIA (TVS)

TV Sunderam Iyengar & Sons Limited, one of the largest conglomerates in India with a history of nearly 100 years in the automobile trade, is the major share holder in TVS Motor Company Ltd. The Company is the third largest two-wheeler manufacturer in India and ranks amongst the top ten globally. It is the only automotive manufacturer to have been honoured with the world's most prestigious Demming Prize for Total Quality Management. TVS currently manufactures a wide range of two-wheelers from mopeds to racing inspired motorcycles, the popular models being the TVS Flame, TVS Apache, TVS Scooty, TVS Metro, TVS Streak and TVS King.

PERODUA SALES SDN BHD, MALAYSIA

This Company is a wholly owned subsidiary of Perusahaan Otomobil Kedua Sdn Bhd (PERODUA) which was established in 1993. The Company's operations commenced in early 1994 and the first vehicle, the ever so popular, Perodua Kancil was introduced to the Malaysian market in August 1994. To date, a range of vehicles such as the Perodua Rusa, Kembara, Kenari, Kelisa, Myvi and Viva have rolled out of the Perodua plant. The plant currently has a production capacity of 250,000 units per annum and has over 12,000 employees.

YOKOHAMA RUBBER COMPANY LIMITED, JAPAN - (YOKOHAMA)

Yokohama, manufacturers of the world renowned Yokohama tyres was established in 1917. Yokohama has acquired the ISO 9001 accreditation for its quality assurance system as well as the ISO 14001 accreditation for its environment management systems. Yokohama tyres are proven to meet very high quality standards and therefore has been selected by almost all vehicle manufacturers in Japan as an original tyre for brand new vehicles.

JIANGXI JIANGLING MOTORS IMPORT AND EXPORT CO. LTD., CHINA

JMC range of commercials vehicles are manufactured by Jiangling ISUZU Motors Co. Ltd. and marketed by Jiangling Motors Co. Ltd., ranked 25th amongst the top 500 industrial companies in China. Jiangling Motors Co. Ltd., is a Public Limited Liability Company, having Jiangling Holding Group and Ford Motor Company of USA as its major shareholders. Jiangling ISUZU Motors Co. Ltd., which is a subsidiary of Jiangling Motors Co. Ltd., and the manufacturer of quality JMC vehicles, is a joint venture between Jiangling Motors Co. Ltd. and ISUZU Motors Ltd. of Japan, catering to the top end of the commercial vehicle segment in the massive Chinese market. The strongest product line of JMC is its light truck range.

ZOTYE AUTOMOBILE CO. LTD., CHINA

The Nomad compact SUV is a product of Zotye Automobile Co. Ltd., of Yongkang Industrial City, south of Shanghai. Zotye Automobile Co. Ltd., is a Public Limited Liability Company, listed on the Hongkong Stock Exchange and is the 5th largest manufacturer of SUVs in China. Zotye Automobile has now successfully developed the all new 4x4 auto transmission model of the NOMAD.

JK TYRE AND INDUSTRIES LTD., INDIA

JK tyre is manufactured by JK Tyre and Industries Ltd of India. JK has been one of the largest four wheeler tyre and truck and bus tyre producers in India. JK tyre is also a strong player in the "Off the Road" tyre segment and has presence across India in almost all applications. JK tyres are currently used by automobile giants in India such as TATA, Mahindra, Maruti and Ashok Leyland as the original fitting. JK offers a wide range of tyres for a large area of operations. Its superior performing products are well accepted and have resulted and proved its performance in a continuously growing consumer base throughout the world. Currently the company has nine plants - six in India and three in Mexico. The company exports its tyres to over 80 countries across 6 continents and enjoys premium brand status in various developed markets, including South America, USA and Africa etc. The combined capacity of JK Tyre and JK Tornel stands at 20 million tyres per annum.

BHARAT PETROLEUM CORPORATION LTD., INDIA

Bharat Petroleum Corporation Ltd., (BPCL), is a Fortune 500 company and is amongst the largest petroleum companies in India and can boast of success in the petroleum industry in activities including lubricants and is also in the LPG business. BPCL is a household name in India, known not only for their performance in business but also because of what they have given back to society under their social responsibility programmes. Even though it is a state owned company, BPCL has been growing at a phenomenal rate. Their aggressive approach has now taken them overseas to the Middle East, Africa & other parts of South East Asia, making them a fast growing international brand.

CHONGQING YUAN GROUP IMP. & EXP. CO. LTD.

Chongqing Yuan group is a subsidiary of the renowned Dongfeng group of China. The Dongfeng group is the 2nd largest vehicle manufacturer in China and is considered to be one of the first companies in China to commence mass scale vehicle production way back in 1930. Today the Dongfeng group has strategic ventures with world renowned automobile manufacturers such as KIA of Korea, Honda, Nissan of Japan and Peugeot of France.

Today DFSK is one of China's most sought after mini trucks.

TVS TYRES

Incorporated in 1982 TVS Sri Chakra Limited is a part of the TVS Group with a turnover of USD. 8 billion. TVS is the largest supplier to all the leading two wheeler manufacturers in India including TVS, Honda, and Hero. TVS exports a full range of tyres to more than 70 countries around the world.

SAIC MOTOR - CHINA

The history of MG dates back to 1924 when William Morris and Cecil Kimber's joint efforts became a reality with the birth of the first MG sports car in Britain. Today the brand which continues with its rich heritage of 90 years is backed by SAIC Motors, which is listed as the largest automobile company in the Chinese stock market. SAIC Motors remains number one for the last 8 years consecutively.

SAIC Motors is also ranked 103rd among the Fortune 500 for the ninth time. SAIC Motor manufactures and sells passenger cars and commercial vehicles. Among its group companies, SAIC Motor Passenger Vehicle Company, Shanghai Volkswagen, Shanghai General Motors, SAIC-GM-Wuling are the passenger car producers while SAIC Motor Commercial Vehicle Company, Nanjing Auto Corporation, Sunwin and SAIC-IVECO Hongyan Commercial Vehicle Company manufactures vans, buses and trucks.

SIMONIZ LUBRICANTS - UK

Incorporated in 1919 Holts is a subsidiary of UCI International which is part of the New Zealand based Rank group.

Holts sold its first wax in 1910, today Holts is a global leader in the manufacturing and R & D of car care products.

Its products cover several areas, which include vehicle interior/exterior trim, cleaning care, special maintenance, finishing protection, road emergency succor and vehicle cleaning tools etc.

Having established a leading position in the automotive industry within the UK, Holt enjoys strong brand recognition and guarantees products of the highest quality.

Today Holt possess an impressive portfolio of consumer car care products which includes the leading brands such as Holts, Prestone, Simoniz, and Redex.

IT IS OUR SINCERE BELIEF THAT EVEN SMALL STEPS CAN CREATE A GREAT IMPACT ON THE LIVES OF MANY

OUR COMMUNITY ENGAGEMENTS

It is our sincere belief that even small steps can create a great impact on the lives of many. As a responsible corporate citizen, we endeavour to create a brighter future for the people of our community, not by giant measures but in small ways that create a bigger impact on a larger number of people in the community. Furthermore, we believe that our duty extends beyond our immediate surroundings and like our presence throughout the country and our passion is to serve communities in all parts of this island. We continue investing in our Corporate Social Responsibility mainly focusing projects to build a better future for our children by improving education and health care facilities.

In giving back to society, we first identified needs of our community through our community engagement mechanisms. This includes consultation and constant dialogue with community institutions such as schools, hospitals and civil society organisations via our officers in the Head Office and the Branch Network, and by our CSR Committee. Through such mechanisms, we encourage community institutions to bring their needs to our attention and as we are eager to maintain a high level of transparency and trustworthiness in our community investments, we follow a formal process in selecting suitable initiatives to support, as elaborated below.

Educational support

The national education system has been instrumental in uplifting living standards in the country; however, while primary level school enrolment statistics are high, there is also a significant number of children dropping out due to a combination of poverty and a lack of encouragement to continue their education. This often perpetuates a culture of poverty and crime.

We have made an effort to leverage education as a means of emerging out of poverty and support the Wijeyaba School in Grand pass which is located in close proximity to our main workshop at Orugodawatta, through material support, such as renovations to buildings and washrooms, scholarships and school equipment such as donating tables and chairs, computers etc over the years. Scholarships are based on transparent criteria and 31 scholarships were granted to

Awarding scholarships to students of Wijeyaba school

Awarding scholarships for the children of war heroes of Sri Lanka Army Special Forces

Supporting the next generation by awarding scholarships children between the ages of 7 to 17 years, from the Wijeyaba School. Our ultimate objective is to reduce the dropout rate and encourage children to seriously consider education as a path to progress. We have also expanded the scope of our CSR activities to communities in the proximity of our branches.

We have also been supporting children of disabled parents, especially war heroes who suffer from permanent disabilities that have drastically reduced their ability to support their families. Therefore, we provided 100 scholarships for children of war heroes of the Sri Lanka Army Special Forces.

Also continuing to focus on the improvement of education-related infrastructure, UML provided pipe-borne water and water storage facility to children in two schools; Maha Kashyapa Vidyalaya in Oyamaduwa, in Anuradhapura district and Sri Saranjothithissa Vidyalaya in Devipahala, Kuruwita in Ratnapura district which were organised by Anuradhapura branch and Ratnapura branches respectively.

With the intention of supporting the next generation of the country's future leaders, the company continued its practice of providing opportunities through scholarships to students of the Katubedda University and those receiving training at the German Technical Institute and Automobile Engineering Training Institute.

Healthcare facilities

Despite the country's free public health system, there are instances when low income segments find it difficult to access healthcare. Therefore, we have taken a conscious decision to support the national healthcare system by improving accessibility to health facilities. One such area of focus is professional eye care for underserved communities; to address this, we organised an eye camp for low income communities where people were given a free eye examination by qualified medical practitioners and free spectacles based on individual eye care requirements who could not afford spectacles. During the financial year company completed two such projects in the Anuradhapura district and the Kandy district where company provided for deserving school children of selected schools. In addition, 82 spectacles were distributed among the school children of Wijeyaba School. The company will continue to do this project to envision the future of those children who have to battle with the vision challenges.

ENVIRONMENT

Our Approach

We are highly cognisant of the fact that we derive our sustenance from the environment and in doing so. our business activities impact our planet's renewable and non-renewable resources and ecosystems. Being a leading transport provider means that our carbon footprint is of concern.

Envision our children for a better tomorrow

AS AN ENTITY WHICH STRONGLY BELIEVES IN SUSTAINABILITY, IT IS OUR DUTY TO MINIMISE THE ADVERSE IMPACTS ON OUR PLANET WHILST MAKING A FAVOURABLE IMPACT AND THEREBY CONSERVE EARTH'S RESOURCES AND ECOSYSTEMS FOR FUTURE GENERATIONS

However, as an entity which strongly believes in sustainability, it is our duty to minimise the adverse impacts on our planet whilst making a favourable impact and thereby conserve earth's resources and ecosystems for future generations.

Our environmental strategy is to minimise the impact on the environment through the Company's operations and inspire employees and society towards constructing a greener environment. Keeping this in mind we took several initiatives towards our environmental commitment as detailed below.

Launch of the "LETS GO GREEN" initiative

As part of our commitment towards a greener environment, over the years we have invested in environmentally friendly processes to minimise environmental impacts through our operations.

In order to accelerate our commitment towards environment, the "LET'S GO GREEN" initiative was launched on 28 October 2014 with a separate team being appointed to implement green initiatives. The green ideology was promoted by the Group Chief Executive Officer/Executive Director, the Senior Management and cascaded down to all levels of staff in the company.

Inspiring employees towards constructing a greener environment

Several awareness programmes were carried out to get the employees involved in the environmental initiatives. Starting with a teaser campaign and a Key Board sticker - 'Go Green', one week before the launch served as a constant reminder to employees.

Weekly SMS on environmental protection tips, e-mail campaigns - "Eco Tip of the Day" were carried out focusing on 3R concept of reduce, re-use and recycle to remind the staff and to create conscious culture among our employees.

Further, awareness on company's energy, water consumption and tips how employees can contribute to reduce paper wastage were shared regularly through posters and group mails.

Training sessions were carried out for several groups of staff members by the National Productivity Secretariat to incorporate best practices in environmental protection through the 3R concept, Green Productivity and 5S System.

Knowledge sharing sessions were carried out by an eminent environmental specialist on the environmental management system and on the 7R concept for waste management, which enabled us to separate garbage as degradable & non degradable items and to make a conscious effort to reduce the negative impact to the environment.

Knowledge sharing on green productivity

Our Facebook page with green message

Green notice board shared by employees

The Green Notice Boards at our Head office and all other locations, which are updated by different divisions monthly increase the employee awareness continuously.

Engaging stakeholders in our environmental initiatives- Green Art Competition

Green art competitions were held under the theme of 'Environmental protection' at several different schools with the participation of more than 500 student over a period of 3-4 months including the following locations:

- 250 students from Wijeyaba school, Colombo -13
- 40 students from Navodya Maha Vidyalaya , Ratmalana
- 100 students from Defence School,Colombo-2
- 40 students from 5 schools in Anuradhapura
- 75 students from 11 schools in Kandy

Reaching out to stakeholders

Besides embarking on an aggressive internal campaign to raise awareness on green initiatives, the Company also disseminated the information to external stakeholders by leveraging on digital media and other traditional advertising methods. The Company shared its posters and green initiatives on its Facebook page and invited its stakeholders to engage with the green ideas. Calendars and note books were printed in environmental friendly material which carried green messages on environmental conservation.

Students at the Green Art Competition

Selected drawings

PHEV, Eco Friendly Vehicle

'Green Boards' with signages were installed at strategic locations such as Hyde Park Corner, Green Path, Ratnapura, Anuradhapura, Matara and Nuwara Eliya.

Minimising the impact on the environment through our business operations

Introduction of environmental friendly products

The Mitsubishi Attrage and Mirage were strongly promoted by the company during the year. Some of the main eco-friendly features of these models are high fuel efficiency requiring lesser burning of fossil fuels, some components are manufactured using recycled / eco-friendly materials, lower emission in comparison to a normal petrol engine. Further, Mitsubishi Outlander PHEV (Plug-in Hybrid Electric Vehicle) was launched during the year, this being the world's first Japanese PHEV-SUV which can be charged using household electricity and simultaneously works as a petrol hybrid. With its silent engine, very low emission level and aerodynamic design with modern appeal and PHEV technology the Outlander has paved the path for the future of transportation. UML also expects to launch several other eco-friendly vehicles including a larger SUV in the near future that will enhance this line up of environmental vehicle choices.

Our subsidiary company Unimo Enterprises Limited will be launching Perodua Axia which is Malaysia's first energy efficient vehicle (EEV). The Perodua Axia promises a eco-friendly drive with its 1000cc engine that is quiet and cleaner with low emissions.

Green Message at Hyde Park Corner

Green Message at Matara Clock Tower

Green Message at Nuwara Eliya

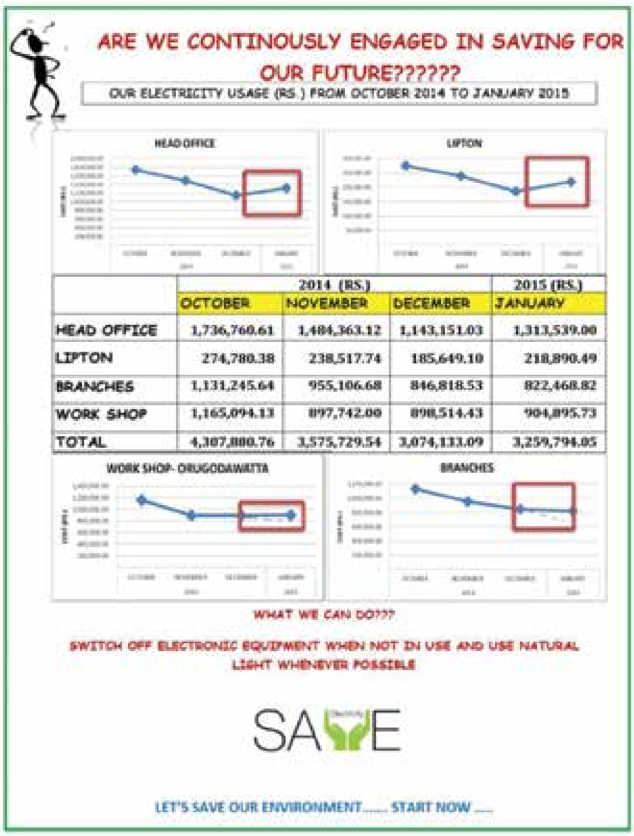
Our Facebook Page on green initiative

Roundabout at Greenpath

Valvoline Nextgen is an engine oil that is both technically advanced and environmentally responsible. Using 50% re-refined base stock and advanced additive chemistry, NextGen meets or exceeds industry standards, while still providing 100% Valvoline protection. This product delivers exactly the same protection and performance as Valvoline's other lubricants but at a much lower environmental impact.

Valvoline NextGen provides a range of engine lubricants for use in passenger cars, 4 wheel drives and trucks. What distinguishes NextGen from other lubricants is its use of re-refined base oil. Eagle One is one of the first automotive appearance product to be introduced as a "green" range, which include four products, namely a wheel and tyre cleaner, a tyre shine, a car wash soap and a glass cleaner, all bearing the EnviroShine name.

CONSERVING NATURAL RESOURCES ARE EVERYONE'S RESPONSIBILITY; AS SUCH, WE STRONGLY BELIEVE THAT UTILISING THESE RESOURCES, ESPECIALLY NON-RENEWABLE RESOURCES SHOULD BE EFFICIENTLY MANAGED



	2014 (RS.)			2015 (RS.)
	OCTOBER	NOVEMBER	DECEMBER	JANUARY
HEAD OFFICE	1,736,760.61	1,484,363.12	1,143,151.03	1,313,539.00
LIPTON	274,780.38	238,517.74	185,649.10	218,890.49
BRANCHES	1,131,245.64	955,106.68	846,818.53	822,468.82
WORK SHOP	1,165,094.13	897,742.00	898,514.43	904,895.73
TOTAL	4,307,880.76	3,575,729.54	3,074,133.09	3,259,794.05

"What gets monitored, gets managed" Eco tip on energy consumption

Eagle One replaced commonly used petroleum-based chemicals and substituted them with ingredients that are safer for the environment. Free of harsh acids, solvents, phosphates and petroleum distillates, the EnviroShine line products are biodegradable and will not produce run-off that could harm aquatic life or fumes that may impact air quality.

While the whole world is moving towards echo life styles, Yokohama introduced this tyre as the innovative global concept. Yokohama BluEarth has been designed specifically for the passenger car range.

Yokohama is considered environmentally friendly as it enhances fuel efficiency, by adopting a low heat generating compound which suppresses heat generation in the tyre. Rolling resistance has also been reduced by curbing heat generation and energy loss, and the light weight construction of the tyre too helps enhance fuel efficiency as less power is required to drive lighter tyres.

Energy management

Conserving natural resources are everyone's responsibility; as such, we strongly believe that utilising these resources, especially non-renewable resources should be efficiently managed to ensure utmost sustainability. Therefore energy conservation initiatives are our foremost concern in minimising our impact on the environment.

Energy consumption is monitored at the Head Office and all branches operated by us. Further, all Departments and Branches are entrusted with the responsibility of reducing electricity consumption, thereby conserving energy.

Create a greener work place

We have embarked on several initiatives this year including planting of 125 trees (kohomba and kumbuk)

Energy saving initiative from IT Team

IN ADDITION TO OUR PRODUCT LINE, WE HAVE BEEN ALIGNING OUR INTERNAL OPERATIONS TO BE MORE ENVIRONMENTALLY RESPONSIBLE

from the Jaffna junction to Rambewa with the focus of reducing our energy usage and carbon footprint.

The IT Division has implemented energy saving settings in all personal computers and laptops which reduce the electricity usage by turning off the display and slowing down the processor functionality when the computers are idle.

We have looked at the lighting systems and implemented changes where required to reduce the consumption of electricity. Notices were placed in required places reminding the staff ways of reducing the electricity consumption.

Effluents and waste management

In addition to our product line, we have been aligning our internal operations to be more environmentally responsible. We have introduced different methods within the company to reduce wastage of resources and to protect our environment. We have a system in place to collect and recycle cardboard packaging materials from imported spare parts. Our workshops are equipped with water treatment plants in compliance with Central Environment Authority standards, ensuring no harmful effects to the eco system. Through agreements with specialised service providers we ensure that burned oil from vehicles, used oil filters and other used parts are disposed of safely.

Our initiatives to reduce paper usage

We looked at our internal processes and systems to reduce the negative impacts caused to the environment through paper usage in our business processes to adhere to the 3R concept of Reduce-Reuse-Recycle in paper waste management. Process improvements were already identified where use of papers could be reduced and implementation is in progress. Use of both side of paper, printing documents only when absolutely necessary and collection of waste paper for recycling were some of the initiatives taken to reduce paper usage.

Month		Paper usage (including A4's, Ronio papers & computer sheets)	Number of trees destroyed
October	2014	141,000	17
November	2014	332,000	40
December	2014	385,000	46
January	2015	141,500	17
February	2015	157,000	19
March	2015	383,000	46

Eco tip on paper usage

WE ARE COMMITTED TO COMPLY WITH ALL STATUTORY AND REGULATORY REQUIREMENTS

The i-MiEV Electric car to be launched in Sri Lanka shortly

Way forward

As a responsible corporate, we have built plans to continually improve our environmental performance and thereby make sustainable use of environmental capital. We have also embarked on a plan to plant trees in large scale to contribute to the ecological balances of the country. In the coming year, we hope to strengthen and continue with the initiatives taken this year for reduction of paper usage and reducing our carbon footprint via monitoring energy consumption and promoting our eco-friendly products. Further, we will help conserve our planet by undertaking at least one conservation project. Thus, we will continue to perform our utmost duty for our planet.

Government and regulatory authorities

We are committed to comply with all statutory and regulatory requirements .

As a large tax payer our Group has paid Rs 2,597 million (Group) in compliance with tax regulations and contributed to the government development initiatives by way of taxes.

Lenders

We consider banks and financial institutions partners of our business. We keep them updated about the financial performance and future forecast of the Company. We obtain financial solutions from the lenders depending on specific requirements. Lenders help us by structuring the best solutions based on the requirement. We ensure that all terms and conditions of lending facilities are met by the Company.

Winner Green Art Competition

Green Art Competition were held under theme of 'Environmental Protection with the participation of more than 500 school children

Sustainability Activities

These were some of the other activities during the year under review. Of particular significance was the eye testing and donation of spectacles

i-MiEV the electric car is to be launched in Sri Lanka in 2015

Corporate Governance

GOVERNANCE IS OF UTMOST IMPORTANCE IN DRIVING THE COMPANY TOWARDS SUSTAINABLE SUCCESS

We firmly believe that good corporate governance is not only fundamental in ensuring that the Company is well -managed in the interest of all its stakeholders, but also essential to attain long-term sustainable growth. As we believe, corporate governance is of utmost importance in driving the Company towards sustainable success and the Board is committed towards maintaining its high standards of corporate governance in managing the Company in an ethical, efficient and effective manner. Our commitment to good corporate governance is not solely based on the need to comply with such requirements, but also on our recognition of sound corporate governance as an effective management tool. We are committed to review our governance principles and practices continuously. Corporate governance policies and practices adopted by the Board of Directors, including specific charters for Board sub-committees, reinforce this commitment. Actions on refining good governance focus on strengthening the roles and responsibilities of the Board of Directors, improving the control environment, promoting disclosure and transparency and protecting stakeholder rights. These corporate governance policies, charters together with the laws applicable to the Company, constitute the corporate governance framework of the Company. Accordingly, this report aims to provide an overview of the corporate governance framework of the Company, including the structure, principles, policies and practices of corporate governance at UML.

CORPORATE GOVERNANCE STRUCTURE AND FRAMEWORK

The Corporate Governance model interconnects the dynamic relation between three key stakeholders – the shareholders, the Board of Directors and the management. The roles of these stakeholders are distinct but complementary to the core objectives and smooth functioning of the Company. Accordingly, corporate governance structure is modelled to establish the fundamental relationship among the shareholders, the Board and the management. The Company's corporate governance structure is used to ensure that it monitors those parties within the Company who control the resources owned by investors and also to ensure that it contributes to improved corporate performance and accountability in creating long-term shareholder value.

The Corporate Governance framework entails the internal governance structure and regulatory framework.

INTERNAL GOVERNANCE STRUCTURE

The internal governance structure is the components that are embedded within the Company in order to execute governance related initiatives, systems and processes.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT COMMITTEES

The Board of Directors (the Board) along with the Chairman is the apex body responsible and accountable for the stewardship function of the Company. The Directors are responsible for upholding and ensuring the highest standards of corporate governance and inculcating ethics and integrity across the Company.

The Board has delegated some of its functions to board committees, while retaining final decision rights pertaining to matters under the purview of these committees. Accordingly, certain functions of the Board are delegated through the board committees, enabling the committee members to focus on their delegated areas of responsibility and impart knowledge and experience in areas where they have greater expertise.

The Company has four Board sub-committees.

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Related Party Transactions Review Committee

Details of board subcommittees are detailed in the subcommittee reports.

Authority is delegated through a committee structure ensuring that Group Chief Executive Officer/ Executive Director, Executive Director- Finance, Executive Director – After Sales Services and other divisional heads are accountable for the total company, division respectively. Clear definitions of authority limits, responsibilities and accountabilities are set and agreed upon in advance to achieve greater operating efficiency and to expedite the decision making.

The Senior Management Committee under the leadership and direction of the Group Chief Executive Officer/Executive Director, implements the policies and strategies determined by the Board and manages through delegation and empowerment.

THE ROLE OF THE BOARD

The Board has provided strategic direction to the development of short, medium and long term strategies which are aimed at long term sustainability of the Company. The business strategies are reviewed by the Board with an update at a subsequent Board meeting on execution of the agreed strategy by the management. The Board continuously monitors the stakeholder expectations against the delivery and mitigating strategies are put in place where required. The Board has put in place a senior management committee led by the Group Chief Executive Officer/Executive Director with the required skills, experience and the knowledge necessary to implement the business strategies of the Company.

The Board recognises its responsibility for the Company's system of internal controls and for reviewing its effectiveness on a continuous basis. These systems manage the risk of the Company's business and ensure that the financial information on which decisions are made and published is reliable and also ensures that Company's assets are safeguarded. The Board ensures that procedures and processes are in place to ensure that the Company complies with applicable laws and regulations.

The Board evaluates and approves all new business and investment proposals and the restructuring plans for existing businesses. The Board also reviews budgets and monitors performance of the individual business units on a monthly basis or when required.

BOARD BALANCE AND INDEPENDENCE

Our Board consists of a Chairman, Group Chief Executive Officer/Executive Directors and seven other Directors. Out of nine directors six are Non-Executive Directors as at 31 March 2015.

Mr. D.E. I Perera and Prof. K. A. M. K. Ranasinghe were appointed to the Board during the year and there were no resignations during the year.

The Board considers Non-Executive Director's independence on an annual basis as per the set criteria. Non- Executive Directors submits a signed declaration of his/her independence against specific criteria on a yearly basis. Based on the criteria specified in listing regulations 7.10.3, the Board determined that Mr. A. W. Atukorala, who has served the Board for more than nine years is independent. Accordingly all Non- Executive Directors except for Ms. A. H. Fernando are independent as per the specified criteria.

BALANCE OF EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Six out of the nine Board members are Non-Executive Directors of which five Directors are independent.

Non-Executive Directors bring a wide range of skills and versatile experience including independent judgement on issues related to strategies, financial and operational performance, key appointments and standards of business conduct, ethics and all matters pertaining to the Board. They also provide constructive feedback on strategies, scrutinise and challenge performance across the business segments, assess the risk profile, integrity of financial information and controls, they also determine the Company's policy for remuneration.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER/EXECUTIVE DIRECTOR

There is a clear distinction between the functions and responsibilities of the Chairman and the Group Chief Executive Officer/Executive Director.

The Chairman's main responsibility is to lead, direct and manage the Board to ensure that it operates efficiently and fully discharges its legal and regulatory responsibilities. The role of the Group Chief Executive Officer/Executive Director is to manage the day to day operations of the business and lead the senior management committee in making and executing operational decisions.

BOARD EFFECTIVENESS

Board meetings

The Company's performance and the business strategies are reviewed and monitored at the monthly board meetings. Further, the parent company Board reviews the financial performance and business strategies of all the subsidiaries and the jointly controlled entities at monthly board meetings and after the end of each quarter heads of those companies make presentations to the Board on company performance and strategies against the annual plan. A formal agenda is prepared for all board meetings by the Company Secretary in consultation with the Group Chief Executive Officer/ Executive Director and the Chairman. The Directors are provided with a comprehensive package of information for the regular board meetings which is circulated in advance of scheduled meetings. During the year under review, 21 Board meetings were held and the attendance of directors at each meeting is disclosed in the table given in this report on page 92.

Performance evaluation and remuneration of directors

There is a formal process for appraisal of board performance. The appraisals are carried out through a structured questionnaire in four separate parts addressing the following:

- Overall collective performance of the Board
- Evaluation of the performance of the Chairman
- Self-evaluation by each Director
- Evaluation of Non-Executive Directors

The Remuneration Committee consults the Group Chief Executive Officer/ Executive Director on the remuneration proposals including revision of salary packages of Executive Directors and the senior management.

Directors' fees are paid to Non-Executive Directors based on the time commitment and responsibilities of their role in board meetings and subcommittee meetings.

Appointments of directors

Nomination Committee recommends to the Board any new appointments. There were two appointments to the Board during the year. Upon the appointment of a new director to the Board, the Company informs the Colombo Stock Exchange with a brief resume of the director, containing the nature of his/ her expertise in relevant functional areas, other directorships held and the nature of appointment.

Re-election of directors

The Company's Articles of Association states that all Non- Executive Directors who are appointed by the Board shall be subject to re-election by the shareholders at the first opportunity after their appointment. The Section 82 of the Company's Articles of Association further states that at every AGM one third of the Non- Executive Directors excluding the Chairman (out of the directors who have been longest in office since the last election or appointment) shall retire from office each year. However, keeping in line with the Code of Best Practice on Corporate Governance, the Chairman of the Company who is a Non-Executive Director also seeks re-election on rotation. Accordingly, the directors who shall seek re-election at this year's AGM have been indicated in the notice of meeting on page 182.

INDEPENDENT ADVICE

A procedure has been put in place for directors to seek independent professional advice, in furtherance of their duties at the Company's expense. This will be coordinated through the Board Secretary, Group Chief Executive Officer/Executive Director as and when it is required.

GOVERNANCE SYSTEMS AND PROCEDURES

Governance systems and procedures promote good governance within the wider context of achieving sustainable growth which is beyond mere conformance with the regulations.

GOVERNANCE SYSTEMS & PROCEDURES PROMOTE GOVERNANCE WITHIN THE WIDER CONTEXT OF ACHIEVING SUSTAINABLE GROWTH WHICH IS BEYOND CONFORMANCE WITH REGULATIONS.

Governance systems and procedures of the Company are given below;

- **Financial reporting**

The Audit Committee oversees the Company's financial reporting process and ensures the reliability of the information provided to stakeholders and assesses the effectiveness of the internal control systems and procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of accounts. Appropriateness of the accounting policies and estimates used in preparation of financial statements are also assessed by the Audit Committee.

A balanced and understandable assessment of the company's financial position, performance and prospects is presented by the company in the annual report. Various reports including the Chairman's review, CEO's review and management discussion and analysis are used in addition to annual financial statements and interim accounts for this purpose.

- **Internal controls**

The Audit Committee assists the Board in the implementation of the Board's policies and procedures on risks and controls by identifying and assessing the risks faced by the Company and designing, implementing and monitoring of suitable internal controls to mitigate and control these risks. The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The internal audit division carries out regular review on internal control systems including internal controls over financial reporting and such reports are reviewed by the Audit Committee.

- **Fraud risk assessment**

The susceptibility of business processes to misappropriation and fraud is reviewed as part of the internal audit programme. The external auditors also perform an evaluation of the company's processes to assess the possibility of manipulation, falsification and alteration of accounting records.

- **Risk management**

The company has implemented a risk management process to identify risks which may impede the achievement of business objectives and develop appropriate mitigation strategies. Heads of divisions identify the key strategic /operational risks which affect their functions and list out mitigating action plans. The risk map summarised at entity level is reviewed by the senior management and Audit Committee. A detailed report on risk management initiatives is provided in the enterprise risk management section of this report on pages 99 to 102.

- **Code of conduct**

Code of conduct gives guidelines to company directors, general managers, managers, executives and employees in applying legal and ethical practices to their everyday work. The Code describes standards of integrity and also some of the specific principles and areas of laws as follows;

- Conflicts of interest and outside activities
- Privacy / confidentiality
- Gifts and entertainment
- Personal investments
- Know your customers / anti money laundering
- Accuracy of company records and reporting
- Protecting UML group's assets
- Workplace responsibilities
- Raising ethical issues
- Special responsibilities of superiors and managers
- Compliance with laws, rules and regulations
- Key irregularities
- Disciplinary procedures

The Code specifically addresses the following;

- Share trading policy - Directors and other specified categories of employees of UML is required to refrain from trading in any shares or other securities of UML while in possession of price sensitive information that is likely to have a material effect on the price or value of UML shares that has not been made public.

- Whistle blowing policy - A process by which any employee, who suspects wrongdoing at work, can report his concerns confidentially directly to the internal audit division through an internal whistle blowing procedure.

- Conflict of interest – A declaration is obtained from employees on conflict of interest based on specified criteria.

- Confidentiality policy – The Company policy prohibits disclosure of material inside information to anyone other than persons within the Company whose positions require them to know such information.

PROCESS CONTROLS AT MANAGEMENT LEVEL

The management reviews the adequacy, design and operation of the processes and procedures in place to ensure that required internal controls are in place within the organisation.

ASSURANCE BY THE INTERNAL AUDIT DEPARTMENT

There are clear processes for monitoring and following up on corrective actions on control weaknesses or failures reported. These audit findings together with the management comments are reviewed by the Audit Committee. Details of the internal audit function are given in the Audit Committee Report.

EXTERNAL GOVERNANCE STRUCTURE/ REGULATORY FRAMEWORK

The Board ensures that the Company and all of its subsidiaries and jointly

THE COMPANY ADHERED TO THE CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE AND THE LISTING RULES OF COLOMBO STOCK EXCHANGE

controlled entities comply with the laws and regulations of the country through a comprehensive statutory compliance checklist signed off by the relevant management and checked by the internal audit on a monthly basis. A summary of the non-compliance is presented at monthly board meetings.

The Board of Directors has also taken all reasonable steps in ensuring that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Colombo Stock Exchange and other regulatory authorities. The Board is aware of the growing importance of the disclosure of critical accounting policies as a part of good governance.

The Company adhered to the Code of Best Practice on Corporate Governance Reporting guidelines jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission and also the rules and regulations stipulated by the Corporate Governance Listing Rules published by the Colombo Stock Exchange (revised in 2013) and also by the Companies Act No. 07 of 2007.

The compliance with the Code of Best Practice and listing rules is given below;

STATEMENT OF COMPLIANCE

The disclosures below reflect UML's level of conformance with the above Code which covers the following:

- A. Directors
- B. Directors' remuneration
- C. Relationships with shareholders
- D. Accountability and audit
- E. Institutional investors
- F. Other investors
- G. Sustainability reporting

Corporate governance principles	Code reference	Compliance status	Details of compliance
A) DIRECTORS			
A.1. Board			
All directors possess the skills, experience and knowledge complemented with a high sense of integrity and independent judgment. The Board gives leadership in setting the strategic direction and establishing a sound control framework for the successful functioning of the Group.			
Board meetings	A.1.1	Complied	The involvement and commitment of the Directors is evidenced by the regular board meetings. As a practice, company holds monthly board meetings, at which the Company's performance and the business strategies are reviewed and discussed. Further, the parent company board reviews the financial performance and the business strategies of all subsidiaries and jointly controlled entities every month and heads of those companies, present the quarterly performance. A formal agenda is prepared for all board meetings by the Company Secretary in consultation with the Group Chief Executive Officer/ Executive Director and the Chairman. Agenda and papers for the meeting are circulated with sufficient notice. The Board met 21 times during the year and the attendance at Board Meetings is set out on page 92.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Board responsibilities	A.1.2	Complied	Board responsibilities are detailed in page 112.
Compliance with laws and access to independent professional advice	A.1.3	Complied	The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. The Company has complied with all applicable laws and regulations during the year. The board members seek independent professional advice from third parties whenever deemed necessary, at Company's expense.
Board Secretary	A.1.4	Complied	The Company Secretary provides support to the board ensuring that Directors receive timely and accurate information required to fulfil their roles. She attends all meetings and ensures that minutes are kept for all proceedings at the Board meetings and provide the Board with support and advice relating to corporate governance matters, board procedures and applicable laws and regulations.
Independent judgment	A.1.5	Complied	Non- Executive Directors are responsible for bringing independent and objective judgment and scrutinise the recommendations/proposals made by the Senior Management Committee led by Group Chief Executive Officer/ Executive Director on issues of strategy, performance, resource utilisation and business conduct.
Dedication of adequate time and effort by the Board and Board Committees	A.1.6	Complied	The Chairman and members of the Board have dedicated adequate time for the fulfilment of their duties as directors of the Company. All directors are provided with notice, agenda and board papers in advance of each meeting. Whenever necessary, matters are also referred to them by circulars. Additionally, the Board members have meetings and discussions with management as and when required. They are also available for consultation during the meetings.
Training for Directors	A.1.7	Complied	The Board of Directors recognises the need for continuous training and expansion of knowledge in carrying out their duties as Directors. The Directors are regularly updated by the Group Chief Executive Officer/ Executive Director on relevant information regarding internal and external environment. Directors also attend seminars where relevant topics are discussed.

Corporate governance principles	Code reference	Compliance status	Details of compliance
A) DIRECTORS			
A.2 Chairman and Chief Executive Officer			
There should be a clear division of responsibilities between the Chairman and Chief Executive Officer to ensure a balance of power and authority, in such a way that any individual has no unfettered powers of decisions.			
Division of responsibilities of Chairman and Chief Executive Officer/Executive Director	A.2.1	Complied	The functions of the Chairman and the Group Chief Executive Officer/ Executive Director are clearly segregated. The Chairman holds office in a non-executive capacity with a clear division of responsibility at the most senior level of the Company. The Chairman is responsible for leading and the effective functioning of the Board. The Group Chief Executive Officer / Executive Director is responsible for managing the business, monitoring its progress and implementing the strategies of the Company within the policy framework formulated by the Board. This ensures balance of power and authority in strategic and operational decisions.
A.3. Chairman's role			
The Chairman should lead and manage the Board, ensuring that it discharges its legal and regulatory responsibilities effectively and fully, preserves order and facilitates the effective discharge of the Board function.			
Role of the Chairman	A.3.1	Complied	The role of the Chairman is clearly to run the Board effectively, maintain right balance within the Board, guide the Group Chief Executive Officer/ Executive Director to make sure the Company is on the right track. The Chairman ensures the optimum contribution of all the Directors in discussions amongst all directors where decisions are needed on matters of strategy and risk etc. Their individual views and concerns are objectively assessed prior to making key decisions. Information is presented to the Board via board papers and the Chairman ensures such information is adequate for decision making. Also ensures regular meetings are held, the minutes of which are accurately recorded and where appropriate include the individual and collective views of the Directors.
A.4. Financial acumen			
The Board should ensure the availability of sufficient financial acumen and knowledge to offer guidance on matters of finance.			
Availability of sufficient financial acumen and knowledge	A.4	Complied	All Directors possess financial acumen and knowledge through experience gained from leading public and private enterprises coupled with their academic and professional background. Three senior Chartered/ Management Accountants are in the Board who possess the necessary knowledge and competence to guide and advice on matters relating to finance.
A.5.Board Balance			
There should be balance of Executive and Non-executive Directors so that no individual or small group of individuals can dominate the Board's decision-making.			
Presence of Non-Executive Directors	A.5.1	Complied	The Board comprises of nine Directors of whom six including the Chairman hold office in a Non-Executive capacity. The requirement of the Code has been complied with during the financial year.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Independent Director	A.5.2	Complied	Out of six Non- Executive Directors five Directors are independent.
Criteria to evaluate independence of the Non-Executive Directors	A 5.3	Complied	The Board considers Non-Executive Director's independence on an annual basis as per the set criteria.
Signed declaration of independence by the Non-Executive Directors	A.5.4	Complied	All Non-Executive Directors of the Company have made written submissions as to their independence in line with the requirements of Schedule J of the Code.
Determination of independence of the Directors by the Board	A.5.5	Complied	The Board has determined the independence or non-independence of all Non-Executive Directors based on their declaration and their information available to the Board. Based on the criteria specified in listing regulations 7.10.3, the Board determined that Mr. A. W. Atukorala who has served the board for continuously more than nine years is independent. Accordingly, all Non- Executive Directors except for Ms. A. H. Fernando are independent as per the specified criteria.
Alternate Director	A.5.6	Not applicable	No alternate Directors.
Senior Independent Director	A.5.7	Not applicable	Requirement to appoint a Senior Independent Director does not arise.
Confidential discussion with the Senior Independent Directors	A.5.8	Not applicable	As above.
Meeting of Non-Executive Director	A.5.9	Complied	The Chairman where necessary holds meeting with Non-Executive Directors.
Recording of concerns in Board minutes	A.5.10	Complied	The Company Secretary records all matters discussed and decisions taken, unresolved matters and details required by the Board for further clarification and submits the required details for next board meeting for effective decision making.
A.6.Supply of information			
Management should provide time bound information in a form and of quality appropriate to enable the Board to discharge its duties.			
Information to the Board by the management	A.6.1	Complied	The Directors are provided with a comprehensive package of information for the regular board meetings which is circulated in advance of scheduled meetings. These include an executive summary with detailed analysis of financial and non-financial information. The Chairman ensures that all Directors are properly briefed on issues arising at board meetings.
Adequate time for effective board meetings	A.6.2	Complied	Board papers are generally sent a week before the meeting giving adequate time for Directors.

Corporate governance principles	Code reference	Compliance status	Details of compliance
A) DIRECTORS			
A.7. Appointments to the Board			
A formal and transparent procedure should be followed for the appointment of new Directors to the Board			
Nomination Committee	A.7.1	Complied	The report of the Nomination Committee is given on page 97. The Nomination Committee recommends all new appointments to the Board, details of the changes in the Board is given on page 107.
Terms of Reference for Nomination Committee			Terms of reference for Nomination Committee is in place.
Duties of Nomination Committee			Terms of reference address duties of the Nomination Committee.
Assessment of Board composition by the Nomination Committee	A.7.2	Complied	The Nomination Committee carries out continuous review of the structure, size and composition (including skills, knowledge and experience) of the Board.
Disclosure of details of new Directors to shareholders	A.7.3	Complied	Details of new Directors are disclosed to the shareholders through an announcement of CSE at the time of their appointment as well as in the Annual Report.
A.8. Re-election			
All Directors should submit themselves for re-election at regular intervals and at least once in every three years, and all Non-Executive Directors should be appointed for a specific term and subject to re-election.			
Appointment of Non-Executive Directors	A.8.1	Complied	According to the Company's Articles of Association, at every AGM, one third of Non-Executive Directors excluding the Chairman shall retire from office each year. However, keeping in line with Code of Best Practice of Corporate Governance, the Chairman also seeks re-election on rotation.
Election of the Directors by the shareholders	A.8.2	Complied	As above.
A.9. Appraisal of Board performance			
The Board should periodically appraise its own performance against the preset targets in order to ensure that the Board responsibilities are satisfactorily discharged.			
Appraisal of Board Performance	A.9.1	Complied	There is a formal process for appraisal of Board performance. The appraisals are carried out through a structured questionnaire which is in four separate parts addressing the following; Overall collective performance of the Board Evaluation of the performance of the Chairman Self-evaluation by each Director Evaluation of Non-Executive Directors
Annual self-evaluation of the Board and its Committees	A.9.2	Complied for the Board	
Disclosure of the method of appraisal of Board and Board Sub Committee performance.	A.9.3	Complied	

Corporate governance principles	Code reference	Compliance status	Details of compliance
A.10. Disclosure of information in respect of Directors			
Details in respect of each Director should be disclosed in the annual report for the benefit of the shareholders.			
Details in respect of Directors	A.10.1	Complied	Brief profiles of the Directors are given in the annual report on pages 22 to 25. Directors' attendance at Board committees is disclosed in the Annual Report on 92. The total number of Board positions (excluding directorship in UML) held by each director is given on page 93.
A.11.Appraisal of Chief Executive Officer			
The Board of Directors should at least annually assess the performance of the Chief Executive Officer.			
Targets of Chief Executive Officer / Executive Director	A.11.1	Complied	An annual evaluation of the performance of the Group Chief Executive Officer /Executive Director was carried out by Remuneration Committee against pre-agreed targets and goals.
Evaluation of the performance of the Chief Executive Officer / Executive Director	A.11.2		
B) DIRECTORS' REMUNERATION			
B.1 Remuneration procedure			
Company should establish a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors. No Directors should be involved in deciding his/her own remuneration.			
Remuneration Committee	B.1.1	Complied	The Remuneration Committee is responsible for assisting the Board with regard to the remuneration policy for the Executive Directors and management.
Composition of the Remuneration Committee	B.1.2 & B.1.3	Complied	All members of the Remuneration Committee are Non-Executive Directors. Details of the remuneration committee are given in the Remuneration report on page 96.
Remuneration of Non-Executive Directors	B.1.4	Complied	The Board as a whole decides the remuneration of the Non- Executive Directors. The Non-Executive Directors receive a fee for being a Director of the Board and board subcommittee.
Consultation of the Chairman and access to professional advice.	B.1.5	Complied	Input of the Chairman is obtained as the Chairman of the said Sub Committee. External professional advice is sought on a need basis.
B.2 The level and make up of remuneration			
The level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the company successfully. A proportion of the Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.			
Level and makeup of the remuneration Chief Executive Officer /Executive Director	B.2.1	Complied	The remuneration scheme for Executive Directors is structured to align rewards to their individual performance and the achievement of corporate targets.

Corporate governance principles	Code reference	Compliance status	Details of compliance
A) DIRECTORS			
Comparison of remuneration with other companies	B.2.2	Complied	Salaries surveys are carried out at request to identify the salary levels of other companies for decision making.
Comparison of remuneration with other companies and the Group.	B.2.3	Complied	When deciding annual increments, achievements against set targets, salary levels of other similar companies and companies within the group are considered.
Performance related payments to Chief Executive officer /Executive Director	B.2.4	Complied	CEO's remuneration and incentives are based on achievement of preset targets.
Executive share options	B.2.5	Not applicable	The Company does not have share option schemes for Executives.
Provisions of schedule E in deciding the Executive Directors remuneration	B.2.6	Complied	Provisions set of in Schedule E of the Code is followed in deciding the remuneration of Executive Directors.
Early termination of Directors	B.2.7	Not applicable	Only applicable to the Executive Directors and terms of employment is governed by the contract of service.
Early termination not included in the initial contract	B.2.8	Not applicable	As above.
Remuneration of Non-Executive Directors	B.2.9	Complied	Non-Executive Directors' fees are based on the time commitment and responsibilities of their role taking into consideration prevailing market rates.
B.3 Disclosure of remuneration			
The Company's Annual Report should contain a statement on the remuneration policy and details of remuneration of the Board as a whole.			
Disclosure of remuneration	B.3.1	Complied	Details are given in the Remuneration Committee Report given on page 96. The remuneration paid to Board of Directors is disclosed in aggregate in Note 12 to the financial statements.
C) RELATIONSHIPS WITH SHAREHOLDERS			
C.1. Constructive use of the AGM and conduct of General Meetings			
The Board should use the AGM to communicate with shareholders and should encourage their participation			
Use of proxy votes	C.1.1	Complied	The Company records all proxy votes and proxy votes are lodged for each resolution.
Separate resolution for all separate issues	C.1.2	Complied	Separate resolutions for each item are proposed giving the opportunity to vote on each matter separately.
Availability of all Board Sub Committee Chairman at the AGM.	C.1.3	Complied	At each AGM, the Board presents a business review to all shareholders who request for clarifications. Further, the Company ensures the availability of Chairman/Chairperson of sub committees to answer questions at AGM.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Adequate notice for the AGM	C.1.4	Complied	In terms of the provisions of the Companies Act, notice of meeting is circulated fifteen working days prior to the AGM.
Procedures of voting at general meetings	C.1.5	Complied	A copy of the Annual Report is dispatched together with the notice of meeting. A summary of the procedures governing voting is indicated separately in the notice of meeting and the proxy form.
C.2. Communication with shareholders			
The Board should implement effective communication with shareholders.			
Channel to reach all shareholders of the company	C.2.1	Complied	The primary modes of communication between the Company and the shareholders are the Annual Report and AGM. Copies of Annual report, interim reports, stock exchange announcements etc. are posted on the Company's website.
Policy and methodology for communication with shareholders	C.2.2	Complied	The Company focuses on open communication and fair disclosures with emphasis on the integrity, timeliness and relevance of the information provided.
Implementation of the policy and methodology for communication with shareholders	C.2.3	Complied	Shareholder communication policy is in place.
Contact person in relation to shareholders matters	C.2.4 C.2.6	Complied	Shareholders may, at any time, direct questions, request for publicly available information and provide suggestions to Directors or management of the Company. Such questions, requests and suggestions should be addressed to the Company Secretary.
Process to make all Directors aware of major issues and concerns of shareholders	C.2.5	Complied	The Company Secretary maintains records of all correspondence received and will deliver as soon as practical such correspondence to the Board or individual Director/s as applicable and the Board or individual director/s will respond to the shareholders and will direct the Company Secretary to send the response to the shareholder.
The process responding to shareholder matters	C.2.7	Complied	Refer above.
C.3 Major and material transactions			
As per the requirement of the Companies Act, Directors should disclose to shareholders, all proposed material transactions which would materially alter/vary the Company/Group's net asset base.			
Major and material transactions	C.3	Complied	In terms of listing rules pertaining to immediate disclosures, the Company always notifies the Colombo Stock Exchange about the relevant transactions as soon as they are approved by the Board of Directors.
Major transactions	C.3.1	Not applicable	A revaluation was carried out as at the reporting date and an announcement was made to shareholders.

Corporate governance principles	Code reference	Compliance status	Details of compliance
D) ACCOUNTABILITY AND AUDIT			
The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.			
Statutory and regulatory reporting	D.1.1	Complied	In the preparation of quarterly and annual financial statements UML has complied with the requirements of Companies Act No 07 of 2007, Sri Lanka Accounting Standards, reporting requirements prescribed by the regulatory authorities.
Directors report in the annual report	D.1.2	Complied	The annual report of the Board of Directors on the affairs of the Company is given on pages 103 to 108 covers all disclosure requirements.
Statement of Directors and Auditor's responsibility for the financial statements	D.1.3	Complied	Statement of Directors' responsibility for financial reporting is given on page 114. The Directors' statement on internal controls is given on page 113. Auditors' responsibility on financial statements is given on page 115.
Management discussions and analysis	D.1.4	Complied	Management review includes group overview, operational review and financial review. The management discussion and analysis is given on pages 32 to 47.
Declaration by the Board that the business is a going concern	D.1.5	Complied	This declaration is made in the "Annual Report of the Board of Directors on the affairs of the Company" on page 105.
Summoning an EGM to notify serious loss of capital	D.1.6	Not applicable	No serious loss of capital. However, an EGM was called to obtain shareholder approval for sub division of shares during the year under review.
Related party transactions	D.1.7	Complied	Process for identifying, recording and disclosure of related party transactions are in place. All related party transactions as defined in Sri Lanka Accounting Standard 24- Related party transactions is disclosed in note 38 to the financial statements. A related party transaction review subcommittee is in place.
D.2 Internal controls			
The Board should maintain a sound system of internal controls and a process for risk management to safeguard shareholders' investments and the Company's assets.			
Internal controls	D.2	Complied.	The Company's prevailing internal control systems are reviewed by the internal audit and periodical reports are submitted to the Audit Committee.
Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	D.2.1	Complied	The Board is responsible for establishing a sound framework of risk management and internal controls and monitoring its effectiveness on a continuous basis. The Directors' responsibility for maintaining a sound system of internal controls is given in the Directors' statement on internal controls on page 113.

Corporate governance principles	Code reference	Compliance status	Details of compliance
Internal audit function	D.2.2	Complied	UML has its in-house internal audit function.
Review of the process and effectiveness of risk management and internal controls	D.2.3	Complied	The internal audit division of the Company carries out regular review on risk management and internal controls including internal controls over financial reporting which is reviewed and monitored by the Audit Committee.
Responsibilities of Directors in maintaining a sound system of internal controls	D.2.4	Complied	The Directors' responsibility for maintaining a sound system of internal controls is given in the Directors' statement on internal controls on page 113.
D.3. Audit Committee			
The Board should establish formal and transparent arrangements in selecting and applying accounting policies, financial reporting and internal controls principles and maintains an appropriate relationship with the Company's external auditors.			
Composition of the Audit Committee	D.3.1	Complied	Audit Committee Chairman and other two members are Non-Executive Directors. The details of the composition of the Audit Committee are given on pages 94 to 95.
Review of objectivity of the external auditor	D.3.2	Complied	The Audit Committee monitors and reviews the external auditor's independence, objectivity and the effectiveness of the audit process taking into account relevant professional and regulatory requirements. The Audit Committee is responsible for making recommendations on the appointment, reappointment and or removal of the external auditors' in-line with professional standards and regulatory requirements.
Terms of reference of the Audit Committee	D.3.3	Complied	The Audit Committee is guided by the committee charter which sets out the responsibilities of the committee. The terms of reference was reviewed in 2014. Details of the Audit Committee are given on pages 94 to 95.
Disclosures of Audit Committee	D.3.4	Complied	The names of the members of the Audit Committee are given in the Audit Committee Report on page 94. In order to safeguard the objectivity and independence of the external auditor, the Audit Committee reviewed the nature and scope taking into account of the regulations and guidelines stated in Section D.3.2.
D.4 Code of Business Conduct & Ethics			
The Company should develop a Code of Business Conduct and ethics for Directors and members of the senior management committee.			
Code of business conduct and ethics	D.4.1	Complied	A Code of Business Conduct & Ethics is in place. Details addressed in the Code are given on page 77.

Corporate governance principles	Code reference	Compliance status	Details of compliance
D) ACCOUNTABILITY AND AUDIT			
Affirmation by the Chairman that there is no violation of the code of conduct & ethics	D.4.2	Complied	The Board is not aware of any material violations of any of the provisions of the Code of business conduct and ethics by any Director or Senior Management of the Company.
D.5 Corporate governance disclosures			
The company should disclose the extent of adoption of best practice in corporate governance			
Disclosure of corporate governance	D.5.1	Complied	The Annual Report deals with the extent to which Company has complied with the requirements of the Code of Best Practices on Corporate Governance issued by SEC and CA Sri Lanka and compliance with regulations of the section 7.10 of the listing rules of Colombo Stock Exchange.
E) INSTITUTIONAL INVESTORS			
E.1 Shareholder voting			
Institutional shareholders are responsible to make considered use of their votes and encouraged to ensure their voting intentions are translated into practice.			
Institutional shareholders	E.1.1	Complied	The Company's performance is well communicated to the shareholders at the AGM. All other formal and informal suggestions and views of shareholders are conveyed to the Board.
E.2 Evaluation of governance initiatives			
When evaluating companies' governance arrangements, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention			
Evaluation of governance initiatives	E.2	Complied	Institutional investors are encouraged to provide any feedback on the governance related issues.
F) OTHER INVESTORS			
F.1 Investing/ divesting decision			
Investing/ divesting decisions	F.1	Complied	The Company's Annual Report provides adequate information to Shareholders to make judgments or to seek clarifications on their investment decisions.
F.2.Shareholder voting			
Individual shareholder voting	F.2	Complied	Notice of meeting is sent to all shareholders on time to encourage their participation at the Annual General Meeting and exercise their voting rights. In case of appointing proxy, the proxy form and instructions are given in the annual report.

Corporate governance principles	Code reference	Compliance status	Details of compliance
G) SUSTAINABILITY REPORTING			
Principles of sustainability reporting	G.1	To be complied in future.	Although the engagement with different stakeholders is disclosed in the sustainability report on pages 48 to 72, a Sustainability Reporting Framework has not been applied in preparing this annual report.
Economic sustainability	G.1.1		
The environment	G.1.2		
Labour practices	G.1.3		
Society	G.1.4		
Product and service responsibility	G.1.5		
Stakeholder identification engagement and effective communication	G.1.6		
Sustainable reporting and disclosure	G.1.7		

Corporate Governance

Status of compliance with the Listing Regulations of Colombo Stock Exchange

CSE Rule		Compliance Status	Details of Compliance
7.10 Compliance			
a / b /c	Compliance with the corporate governance rules	Complied	The group is in compliance with the corporate governance rules.
7.10.1 Non-Executive Directors			
a / b /c	At least 2 members or 1/3 of the Board whichever is higher should be Non-Executive Directors.	Complied	Six out of nine Board members are Non-Executive Directors.
7.10.2 Independent Directors			
a	2 or 1/3 on Non-Executive Directors whichever is higher shall be 'independent'.	Complied	Out of six Non- Executive Directors, five are independent.
b	Each Non-Executive Directors to submit a signed and dated declaration of his/her independence /non –independence.	Complied	Non-Executive Directors have submitted declarations as to their independence.
7.10.3 Disclosures relating to Directors			
a / b	Board shall annually determine the independence or otherwise of Non-Executive Directors.	Complied	The Board considers Non-Executive Director's independence on an annual basis.
c	A brief resume of each Director should be included in the annual report including the director's experience.	Complied	Refer Board of Directors on pages 22 to 25.
d	Provide a resume of new Directors appointed to the Board along with details.	Complied	Detailed resume of the new Directors appointed during the financial year was submitted to the Colombo Stock Exchange.
7.10.4 Criteria for defining independence			
a. to h.	Requirements for meeting the criteria to be an independent director	Complied	Requirement specified are considered in deciding the independence.
7.10.5 Remuneration Committee			
a.1	Remuneration Committee shall comprise of Non- Executive Directors and majority should be independent.	Complied	Remuneration Committee consists of three Non-Executive Directors out of which two are independent.
a.2	One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied	Board Chairman is the Chairman of the Remuneration Committee who is a Non-Executive Director.
b	Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Remuneration of Group Chief Executive Officer / Executive Director is recommended by the Remuneration Committee.
C.1	Names of Remuneration Committee members	Complied	Refer Remuneration Committee report on page 96 for the names of the Committee members.
C.2	Statement of remuneration policy	Complied	Refer Remuneration Committee report for the remuneration policy.

CSE Rule		Compliance Status	Details of Compliance
C.3	Aggregate remuneration paid to Executive Directors and Non-Executive Directors	Complied	Aggregate remuneration paid to Executive and Non-Executive Directors are disclosed in Note 12 to the financial statements.
7.10.6 Audit Committee			
a.1.	Audit Committee shall comprise of Non-Executive Directors, a majority of who should be independent.	Complied	Audit Committee consists of three Non-Executive Directors out of which two are independent.
a.2.	A Non-Executive Director shall be the Chairman of the committee	Complied	Chairperson of the Audit Committee is a Non-Executive Director.
a.3	Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings	Complied	Group Chief Executive Officer /Executive Director, Executive Director-Finance and the Head of Internal Audit attend meetings by invitation.
a.4	The Chairman of the Audit Committee or one member should be a member of professional accounting body.	Complied	Chairperson of the committee is a member of the Institute of Chartered Accountants of Sri Lanka and a member of the Institute of Certified Management Accountants of Sri Lanka.
b. Functions of the Audit Committee shall include:			
b.1	Overseeing of the preparation presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS.	Complied	The Audit Committee oversees the Company's financial reporting process to ensure the reliability of the information provided to the stakeholder. Appropriateness of the accounting policies adopted, key judgments and estimates used in preparation of financial statements and processes by which compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs) is ensured and other regulatory provisions relating to financial reporting and disclosures are reviewed by the Audit Committee.
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per the laws and regulations.	Complied	The Audit Committee has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies.
b.3	Ensuring the internal controls and risk management, are adequate, to meet the requirements of the SLFRS/LKAS.	Complied	The committee reviewed the processes for identification, recording, evaluation and management of all significant risks. Audit Committee review the design and operating effectiveness of the internal controls.
b.4	Assessment of the independence and performance of the entity's external auditors.	Complied	The Audit Committee assessed the external auditor's independence, objectivity and the effectiveness of the audit process.
b.5	Make recommendations to the Board pertaining to external auditors.	Complied	The Audit Committee is responsible for making recommendations on the appointments, reappointments and removal of the external auditors in line with professional standards.

CSE Rule		Compliance Status	Details of Compliance
c.1	Names of the Audit Committee members shall be disclosed.	Complied	Names of the Audit Committee members are disclosed in the Audit Committee report on page 94.
c.2	Audit Committee shall make a determination of the independence of the external auditors.	Complied	The Audit Committee assessed the external auditor's independence based on set guidelines and also obtained a confirmation and concluded that the external auditors are independent.
c.3	Report on the manner in which Audit Committee carried out its functions.	Complied	Refer Audit Committee Report on pages 94 to 95 for functions carried out.

Name of Director	Capacity	Status of independence	Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nomination Committee meetings		Related Party Transactions Review Committee meetings	
			No of meetings		No of meetings		No of meetings		No of meetings		No of meetings	
			Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr. Sunil G. Wijesinha	Chairman Non-Executive Director	Independent	21	20	8	8	5	5	2	2	3	3
Mr. C Yatawara	CEO/ Executive Director	Non Independent	21	21	8	*8	5	*3	2	2	3	3
Mr. A W Atukorala	Non-Executive Director	Independent	21	19	8	7	5	5	2	1	3	3
Mr. A C M Lafir	Executive Director	Non Independent	21	21	8	*8	-	-	-	-	3	3
Mr. R H Yaseen	Executive Director	Non Independent	21	6	-	-	-	-	-	-		
Ms. A H. Fernando	Non-Executive Director	Non Independent	21	21	8	8	5	5	2	2	3	3
Mr. M. Sawada	Non-Executive Director	Independent	21	-	-	-	-	-	-	-		
Mr. A. D.E.I. Perera (appointed w.e.f. 27 May 2014)	Non-Executive Director	Independent	20	18	-	-	-	-	-	-		
Prof. K. A. M. K. Ranasinghe (appointed w.e.f. 22 July 2014)	Non-Executive Director	Independent	15	13	-	-	-	-	-	-		
Chairman of Board/ Board Sub Committee			Mr. Sunil G. Wijesinha		Ms. A H. Fernando		Mr. Sunil G. Wijesinha		Mr. Sunil G. Wijesinha		Mr. A W Atukorala	

* Attended by invitation

Name of Director	No of Board seats held in listed companies (excluding UML)		No of Board seats held in unlisted companies	
	Executive capacity	Non-Executive capacity	Executive capacity	Non-Executive capacity
Mr. Sunil G. Wijesinha	-	2	1	6
Mr. C Yatawara	-	-	5	1
Mr. A W Atukorala	-	2	-	7
Mr. A C M Lafir	-	-	-	1
Mr. R H Yaseen	-	-	1	-
Ms. A H. Fernando	-	-	2	5
Mr. M. Sawada	-	-	-	-
Mr. A. D.E. I Perera (appointed w.e.f. 27 May 2014)	-	6	-	13
Prof. K. A. M. K. Ranasinghe (appointed w.e.f. 22 July 2014)	-	4	-	-

Audit Committee Report

COMPOSITION

The Committee appointed by the Board and as at the end of year comprised of three Non-Executive Directors and out of which two Directors are Independent Non- Executive Directors;

Ms. A. H. Fernando
Mr. Sunil G. Wijesinha
Mr. A .W. Atukorala

Chairperson of the Committee, Ms. A.H. Fernando, a Non- Executive Director is a member of the Institute of Chartered Accountants of Sri Lanka and a member of the Institute of Certified Management Accountants of Sri Lanka.

Other two members of the Committee are Independent Non- Executive Directors. The above composition is in compliance with the requirements to have a minimum of two Independent Non- Executive Directors in terms of the rules on Corporate Governance for listed companies issued by the Colombo Stock Exchange. The profiles of the members are given on pages 22 to 25 of the Annual Report.

The Board Secretary functions as Secretary to the Audit Committee.

MEETINGS

During the financial year ended 31 March 2015, the committee held 8 meetings. The attendance of the members at these meetings is stated in the table on page 92 of the annual report.

Agenda and papers for the meetings are circulated among the members with sufficient notice. The Group Chief Executive Officer, Executive Director- Finance and the Head of Internal Audit attended all audit committee meetings by invitation. When required, other senior officers of the Company and its subsidiaries are invited to attend these meetings. The engagement partner of the Company's external auditors attends meetings when matters pertaining to their functions come up for consideration and attended three meetings during the year.

ROLE OF THE COMMITTEE

The Audit Committee has written terms of reference, dealing clearly with its authority & duties and is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the Financial Statements, risk management, business ethics, internal controls, compliance with legal and regulatory requirements, review of external Auditors' performances & independence and internal audit.

Rules on Corporate Governance under Listing rules of the Colombo Stock Exchange and "Code of Best Practice on Corporate Governance" issued jointly by The Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka further regulate the composition, role and functions of the Audit Committee. The Charter was revised in 2014 and this process ensures that new developments and concerns are adequately addressed.

The Committee is empowered to;

- Ensure that efficient and sound financial systems are in place and are well managed in order to give accurate, appropriate and timely information to the Board of Directors, Regulatory Authorities, the Management and other Stakeholders in compliance with Sri Lanka Accounting Standards, Companies Act No. 07 of 2007 and other financial reporting related regulations and requirements.
- Review the quality and the appropriateness of Accounting Policies and their adherence to statutory and regulatory compliance requirements and applicable Accounting Standards.
- Ensure that the Company has adopted and adhered to policies which firmly commits to achieve highest ethical standards, good industry practices and in the best interest of all Stakeholders.
- Examine the adequacy, efficiency and effectiveness of the management processes in place to identify, avoid and mitigate risks.
- Review the design and operational effectiveness of internal controls and implementing changes where required.
- Review internal and external audit reports and follow up on their findings & recommendations.
- Assess the independence and monitor the performance and functions of internal and external auditors.
- Assess the Company's ability to continue as a going concern in the foreseeable future.

FINANCIAL REPORTING

The Audit Committee supports the Board of Directors to oversee that the Company's financial reporting gives a true and fair view based on the accounting records and in accordance with the stipulated Sri Lanka Accounting Standards. Accordingly the committee reviewed the following;

- Adequacy and effectiveness of the internal controls, systems, and procedures to provide reasonable assurance that all transactions are accurately and completely recorded in the books of accounts.

- Effectiveness of the financial reporting systems in place to ensure reliability of the information provided to the stakeholders.

- Appropriateness of the accounting policies adopted, key judgments and estimates used in preparation of financial statements and processes by which compliance with Sri Lanka Accounting Standards (SLFRSs & LKASs) and other regulatory provisions relating to financial reporting and disclosures.

- Prior to submission to the Board, reviewed the Quarterly Accounts and Annual Report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The effectiveness of the Company's internal controls and risk management processes are assessed mainly by the reports submitted by the internal and external auditors. Directors' statement on Internal Controls is given on page 113.

A risk based audit approach is used to assess the effectiveness of the internal control procedures in place to identify and manage all significant risks. A risk matrix has been adopted for assessing and measuring the operational risks identified during the internal audit reviews.

The Committee reviewed the processes for identification, recording, evaluation and management of all significant risks. Required assurances were obtained from the Divisional Heads on the remedial action in respect of the identified risks in order to maintain the effectiveness of internal control procedures in place.

REGULATORY COMPLIANCE

A procedure has been laid down for reporting on the statutory compliance of the Company and its subsidiaries. This report is certified by the internal audit division on a monthly basis. Instances of non-compliance if any are reported in a specific format to the board on a monthly basis. Such reported exceptions are followed up to ensure appropriate corrective action is taken.

INTERNAL AUDIT

The Audit Committee exercises oversight over the internal audit function. The committee approves the annual internal audit programme and reviews the reports presented by internal audit concerning operational issues and effectiveness of internal control systems and progress of implementation on a regular basis. These reviews examine management's responses to the issues raised as well as the implementation plans. The processes and the frequency of audits is dependent on the risk level, with higher risk areas being audited more frequently with greater focus and audit findings presented in the reports were rated and prioritized based on the level of risk.

INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITORS

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity. The committee reviewed the non-audit services provided by the external auditors with the aim of assessing the independence and objectivity of the external auditor. Having reviewed these, the committee is satisfied that the non-audit service provided by the external auditors does not impair their independence. The committee has also received a declaration from the external auditors as required by the Companies Act No 07 of 2007, confirming that they do not have any relationship or interests in the Company which may have a bearing on their independence.

Prior to commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach and procedures and matters relating to the scope of audit. The fees of the external auditors were also approved by the audit committee. The audit results were discussed at the conclusion of the audit, where the committee reviewed and approved the annual consolidated financial statements.

The audit committee also reviewed the external auditor's management letter of the previous year with the management's responses thereto.

The audit committee has recommended to the board, Messrs KPMG, Chartered Accountants be re- appointed as statutory auditors for the financial year ending 31 March 2016 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE

The committee also reviewed the level of compliance with corporate governance rules as per Sec 7.10 of the Listing Rules of the Colombo Stock Exchange and Compliance with the Code of Best Practice on Corporate Governance and is satisfied that the Company has complied with all mandatory requirements.

CONCLUSION

Based on the review of reports submitted by the external and internal auditors and the information received during the deliberations, the committee is satisfied that the internal controls and procedures in place are adequately designed and have been operating effectively to provide reasonable assurance that the company's assets are safeguarded and that steps are being taken to continuously improve the control environment. The committee is also satisfied that the financial position of the company is regularly monitored and that the company has adopted appropriate accounting policies and the financial statements are reliable.

Ms. A. H. Fernando
Chairperson
Audit Committee

28 May 2015

Remuneration Committee Report

COMPOSITION

The remuneration committee appointed by and responsible to the Board of Directors comprises of two Independent, Non-Executive Directors (IND/NED) and one Non Independent/ Non-Executive Director (NIND/ NED).

Mr. Sunil G Wijesinha (Chairman) - (IND/NED)
Mr. A W Atukorala (Non-Executive Director) *(IND/NED)*
Ms. A. H.Fernando (Non-Executive Director) -*(NIND/NED)*

Group Chief Executive Officer/ Executive Director (GCEO/ED) attends meetings by invitation.

The Company Secretary functions as the secretary of the remuneration committee.

POLICY

The remuneration policy of UML PLC is designed to attract, motivate and retain staff with the appropriate professional, managerial and operational expertise to achieve the objectives of the company.

SCOPE AND RESPONSIBILITY

The scope and the responsibility of the remuneration committee include:

- To consider internal as well as external remuneration factors and to ensure that the remuneration policy of the company recognizes and addresses the short and long term needs of the organisation in relation to performance, talent retention and reward.
- To recommend to the Board a competitive remuneration and reward structure which is linked to performance.
- To decide on the remuneration packages of Group CEO, Executive Directors and Key Management Personnel.
- To formulate on behalf of the Board, formal and transparent procedures for developing policy on remuneration for Directors, CEO and Key Management Personnel.
- To evaluate the performance of Group CEO, management development plans and succession planning.
- To approve annual salary, increments, bonuses, changes in perquisites and incentives.

PROFESSIONAL ADVICE

The committee has the authority to seek external independent professional advice on matters within the purview of the committee and to invite professional advisors with relevant experience to assist in various duties.

MEETINGS

The committee held five meetings during the year under review in which all members were present.
At these meetings, the performance bonus and its quantum, annual increments were discussed.
The Members also evaluated the performance of the Group CEO/Executive Director against the pre- agreed targets and goals.

REMUNERATION PACKAGE

Employees

Total compensation of an employee is influenced by a number of factors such as skills, experience, responsibility, performance, industry average and the findings of market surveys conducted in selected firms in every three to four years.

Every member of the staff is informed of the key performance indicators on which he/she will be judged and evaluated against such key performance indicators.

The remuneration consists of a fixed component and a variable component.

Basic salary is the fixed component of the remuneration and is reviewed for increments annually based on the ratings at annual performance appraisals.

The company has implemented a variable bonus scheme for staff at all levels, which is based on individual performance and the achievement of company targets.

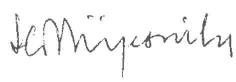
Directors

The remuneration packages awarded to Executive Directors comprise of a mix of performance related and non-performance related remuneration designed to motivate them towards the achievement of corporate goals.

The remuneration for Non-Executive Directors reflects the time, commitment and responsibilities of their role and is based on industry and market surveys. They do not receive any performance or incentive payments.

Neither the GCEO/ED nor any other directors are involved in remuneration committee meetings when determinations are made in respect of their own performance, compensation package and fees.

The aggregate remuneration paid to the Executive Directors and the fees paid to the Non-Executive Directors for the Board Meetings and serving on Board Sub Committee Meetings are disclosed in Note 12.1 to the financial statements.



Sunil G. Wijesinha
Chairman
Remuneration Committee.

28 May 2015

Nomination Committee Report

COMPOSITION OF THE NOMINATION COMMITTEE

The Nomination Committee appointed by the Board of Directors comprises two (2) Independent Non Executive Directors (IND), one (1) Non Independent Non Executive Director (NIND) and the Group Chief Executive Officer/ Executive Director (ED).

Mr. Sunil G. Wijesinha *(Chairman) - (IND/NED)*
Mr. A.W. Atukorala - *(IND/NED)*
Mr. C. Yatawara - *(ED)*
Ms. A.H. Fernando - *(NIND/NED)*

The company secretary acts as the secretary of the committee.

TERMS OF REFERENCE OF THE NOMINATION COMMITTEE

The Nomination Committee was established for the purpose of advising the Board in relation to nominations, retirement, succession and training of the board members. The committee has the authority to discuss the issues under its purview and report back to the Board of Directors with recommendations, enabling the Board to take decisions.

The committee focuses on the following objectives in discharging its responsibilities.

- Regularly reviews the structure, size, composition and competencies (including the skills, knowledge and the experience) of the Board and make recommendations to the Board with regard to any changes.
- To identify and recommend suitable directors for appointment to the Board and Board sub committees.
- To consider and recommend (or not recommend) the re-appointment of current directors, taking into account the performance and contribution made by the director concerned and provide advice and recommendations to the Board on any such appointment.
- To ensure that the directors are fit and proper persons to hold office.
- A member of nomination committee does not participate in decisions relating to his own appointment.
- To look into and make recommendations on any other matters referred to it by the Board of Directors.

MEETINGS

The Nomination Committee met twice during the year.

PROFESSIONAL ADVICE

The committee has the authority to seek external professional advice on matters within its purview whenever required.

METHODOLOGY ADOPTED BY THE COMMITTEE

The members of the Nomination Committee continued to work closely with the Board of Directors in reviewing the structure, size, composition and skills required for a steadfast, strong and successful organization and report back to the Board of Directors with its recommendations.

Sunil G. Wijesinha
Chairman
Nomination Committee

28 May 2015

Related Party Transactions Review Committee Report

ADOPTION OF THE CODE OF BEST PRACTICES ON RELATED PARTY TRANSACTIONS

The compliance with the Code of Best Practices on Related Party Transactions (the Code) issued by the Securities and Exchange Commission of Sri Lanka (SEC) will be mandatory from 01 January 2016. The Board of Directors of the Company decided to voluntarily adopt the Code and established the Related Party Transactions Review Committee.

PURPOSE OF THE COMMITTEE

The purposes of the Related Party Transactions Review Committee (the Committee) is to conduct an appropriate review of the Company's related party transactions and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions and to prevent directors, key management personnel or substantial shareholders taking advantage of their positions.

COMPOSITION OF THE COMMITTEE

The Committee consists of five (5) members with a combination of Independent (IND) /Non Independent (NIND), Non-Executive (NED) and Executive Directors (ED). The members of the committee are:

Mr. A. W. Atukorala *(Chairman) - (IND/NED)*
Mr. Sunil G. Wijesinha *- (IND/NED)*
Mr. C. Yatawara *- (ED)*
Mr. A. C. M. Lafir *- (ED)*
Mrs. A. H. Fernando *- (NIND/NED)*

The Company Secretary functions as the Secretary to the Committee.

RESPONSIBILITIES

The responsibility of the committee includes inter-alia the following:

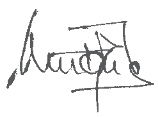
- To ensure that the company complies with the rules set out in the Code.
- To update the Board of Directors on the related party transactions of the company on a quarterly basis.
- To make immediate market disclosures on applicable related party transactions as required by the Continuing Listing Requirement of the Colombo Stock Exchange (CSE).
- To include appropriate disclosures on related party transactions in the annual report as required by the Continuing Listing Requirements of the CSE.

Policies and procedures in Related Party Transactions are being strengthened on an on-going basis.

Necessary steps have been taken by the Board to avoid any conflicts of interests that may arise, in transacting with related parties

MEETINGS

The Committee held three meetings on a quarterly basis during the year under review. Proceedings of the committee meetings are regularly reported to the Board of Directors.



A.W. Atukorala
Chairman
Related Party Transactions Review Committee

28 May 2015

Enterprise Risk Management

RISK MANAGEMENT CONTRIBUTES TO ULTIMATELY BETTER RESULTS FOR STAKEHOLDERS

OVERVIEW

Risk management is recognised as a core element of effective performance management and governance. In a dynamic and complex environment, organisations require the ability to recognise, understand, accommodate and capitalise on new challenges and opportunities. We face uncertainty and the challenge for management is to determine how much uncertainty to accept as it strives to grow stakeholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value.

Our risk management framework enables management to identify and effectively deal with uncertainty and associated risks and enhances the capacity to build stakeholder value. Risk management looks at implementing various policies, procedures and practices to identify, analyse, evaluate and monitor risk followed by identifying solutions to minimise the probability of occurrence and / or the impact of the identified risks.

The effective risk management contributes to improved decision-making, better allocation of resources and, ultimately better results for stakeholders.

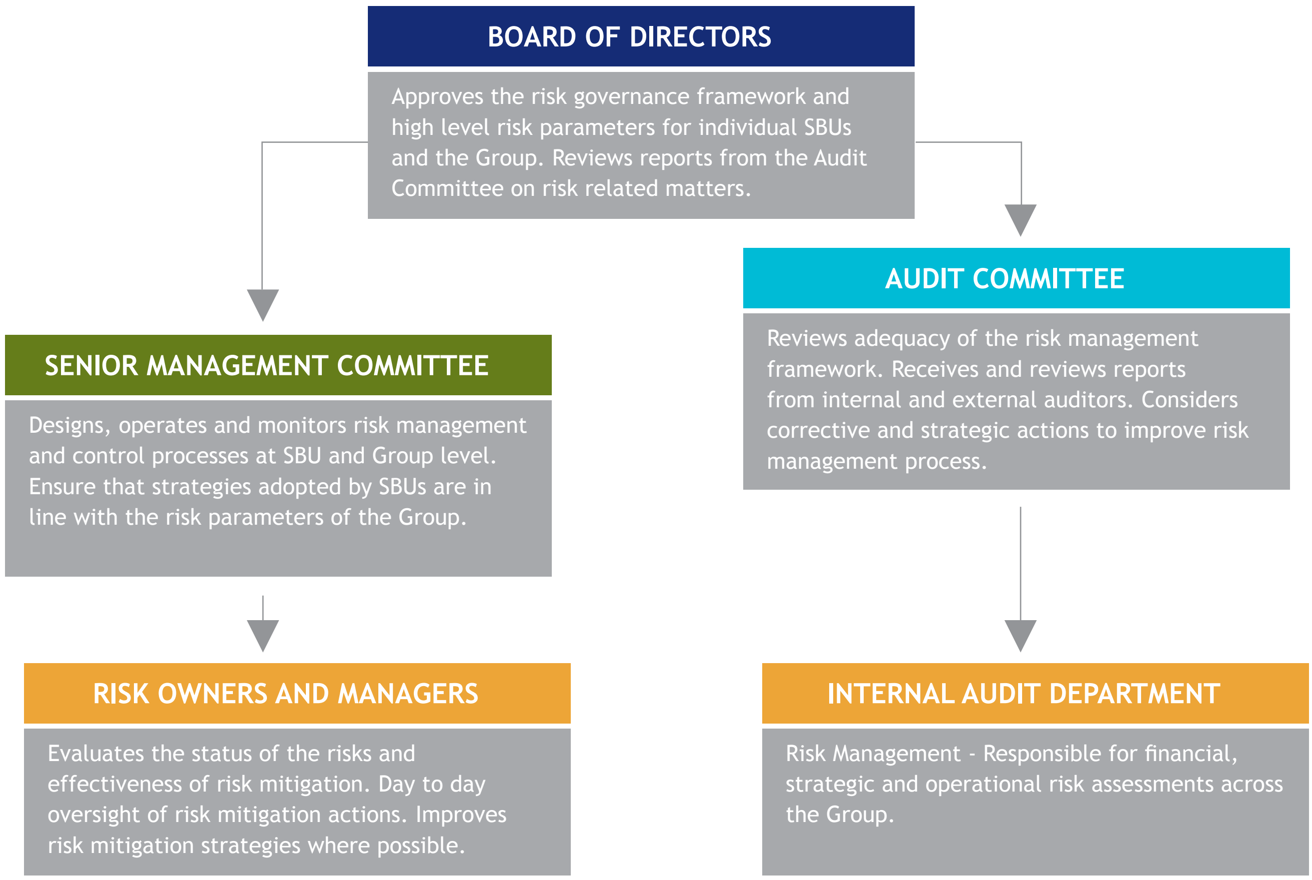
RISK MANAGEMENT STRUCTURE AND PROCESS

Risk management structure

The Board is primarily responsible for ensuring that the risks are identified and appropriately managed across the Group. The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the Group's risk management process, including the systems established to identify, assess, manage and monitor risks and the Internal Audit function plays a key role in this process.

The Senior Management Committee takes the lead in identifying risks. The Senior Management Committee examines processes and events, uncertainties and changes in environment that expose the group to situations that could seriously reduce earnings, impair its assets position or create legal, regulatory or reputational risks. They also evaluate options available to mitigate risks and to identify risks that do not match the risk appetite of the Group. Monitoring of risk is a responsibility that rests with the Senior Management Committee.

Enterprise Risk Management



RISK MAPPING

Each risk is reviewed in terms of business impact and likelihood of occurrence of event/events:

- Likelihood of occurrence is assessed on the basis of past experience and the mitigating controls that are in place. A ranking of high, moderate and low in terms of likelihood of occurrence is assigned for each risk.
- The impact of the event is assessed by determining the estimated loss it would cause and the extent of business impact.

By considering these two factors, the impact is then categorised as low, moderate and high. The Group has developed a Risk Register identifying the key risks faced by the Group.

Upon assessment of the likelihood of occurrence and the extent of the business impact of each risk, it is subjected to the following matrix in order to derive the nature and extent of action required.

LIKELIHOOD OF OCCURRENCE	RISK MANAGEMENT ACTIONS		
HIGH	Considerable management required	Must manage and monitor risks	Extensive management essential
MODERATE	Risks may be worth accepting with monitoring	Management effort worthwhile	Management effort required
LOW	Accept risks	Accept but monitor risks	Manage and monitor risks
	LOW	MODERATE	HIGH
	BUSINESS IMPACT		

A description of the main risks faced by the Group and controls implemented to mitigate/manage such risks are given below;

Risk	Risk Profile 2014/15	Risk management actions
Business environment The vulnerability of the vehicles market to negative changes in fiscal policy, new legislation and interest rates would adversely impact on group's performance.	High	Reduce the dependency on vehicle segment, by gradually strengthening the other business segments. Extension of product portfolio by acquiring new agencies. Future strategy is directed towards reducing the imbalance in the product portfolio by further diversification of our product range, different income sources.
Exchange rate risk Negative changes in exchange rates causing potential losses on assets & liabilities and transactions denominated in foreign currency.	Moderate	Retiring bills by considering current rates and future exchange rate trends. Close monitoring of customer settlement rates for permit LCs. Hedging through forward contracts, where desirable.
Interest rate risk Increase in interest rates impacting on the Group's cost of funding.	Moderate	Proper working capital management and always look for better investment options. Maintain borrowings at a minimum level / optimum level of gearing. Constantly negotiate favourable terms of borrowings and for investments in financial instruments. The Company monitors interest rate risk by actively monitoring the yield curve trends and interest rates movements.
Equity price risk Listed equity securities are susceptible to market price risks arising from uncertainties of future values of the investment securities which are known as equity price risk.	Moderate	Equity price risk is managed through diversification of its investment portfolio to different business sectors. Equity investment decisions are based on fundamentals rather than on speculation and decisions are taken based on in-depth analysis of industry and macroeconomics analysis as well as research reports on the company performance. Purchase and timely exit decisions are taken to maximise profits.
Liquidity risk Unavailability of sufficient funds impacting smooth functioning of the day-to-day operations of the Group.	Low	Ensuring proper mix of short and long term borrowings. Maintain an appropriate combination of fixed and floating rate borrowing facilities. Facilities are in place to cover its forecasted cash needs for at least a period of twelve months.
Credit risk Credit risk arises from credit exposure to customers on unsecured debts. Also exposures the Company when cash and cash equivalents, deposits/ investments held with banks and financial institutions fails to discharge its contractual interest or principal on their debt obligations due to declining financial strength.	Moderate	Prior to approving credit, a customer is subject to a process of evaluation to establish credit worthiness. Careful settings of credit limits based on the Company's credit policy initially and thereafter increase the credit limits when required based on periodic turnover and settlement patterns helps to minimise the risk of default. All trade debts are monitored by the Divisional Heads at monthly meetings with divisional staff. At these meetings overdue debts are discussed and corrective actions are taken to followed up and collect overdue debts. The monthly reports submitted to the Board of Directors include an age analysis of debtors. Credit is suspended on overdue accounts and legal procedures are taken to recover long overdue receivables. The credit worthiness of a debt security investment is assessed mainly through ratings assigned to the issuing institutions.
Relationship with principals Performance being adversely impacted as a result of disruptions to relationships with Principals.	Moderate	The company has focused on developing a mutually beneficial relationship with principals in order to minimize the risk. Regular meetings are held with the principals to build up business relationship. Agreements with the principals are in place.

Enterprise Risk Management

Risk	Risk Profile 2014/15	Risk management actions
Human resource risk Failure to recruit and retain appropriately skilled employees.	Moderate	Conducting Employee satisfaction surveys. Investment in training and development. Performance based incentive schemes are in place to motivate and retain skilled employees. Salary surveys are conducted to benchmark with the industry.
Information Technology risk Loss of confidential data through security breaches, disaster or a breakdown causing loss of vital data or lack of access to critical IT systems.	Moderate	A separate review was carried out during the year by a reputed audit firm on the suitability of the system for the current level of operations. The IT security policy comprehensively addresses risks associated with the Company's information systems. The effectiveness of information security procedures and access controls adopted by the Company against threats from the external environment and corruption or loss of information are part of the audit programme of the internal auditors. Recommendations made by the auditors are discussed by the audit committee and progress on corrective action is regularly reviewed. Adequate power and data backup systems ensure uninterrupted data transfer between the head office and all branches and workshops.
Loosing Customer satisfaction Loss of customers and customer dissatisfaction may result in a financial loss to the Company. Such a situation could affect turnover and hinder the growth as well as potential customers.	Moderate	Customer relationship management led by a dedicated team for implementation of customer care initiatives. Continuous training is carried out for employees on customer care to improve soft skills. Customer care and customer satisfaction index have been included in employees' evaluations with the objective of increasing customer satisfaction levels.
Risk of technological obsolescence Technological obsolescence will impact on the inability to compete in the market.	Low	The group makes regular investments in new technology to upgrade after sales service. Staff are constantly exposed to new technology and trained to handle them. The group is backed by world renowned brands, some of whom are technology leaders. Therefore, Technology is leveraged to compete with others.
Reputation / Societal risk Non-acceptance of the Company as a responsible corporate citizen can lead to loss of confidence on the Company and consequently loss of business opportunities in the short -term, as well as depletion of the Company's image.	Low	Engagement in various Community related activities/CSR activities. Good Corporate Governance Practices.
Environmental risk The impact on the environment due to its operations.	Low	Introduction of eco-friendly vehicles, Dedicated team was appointed for green initiatives. Environmental factors considered in decision making.
Risk of natural disasters Damages from fire and flood have been identified as key disaster -related risks that the Company is exposed to.	Low	Safety measures are taken to minimise damage to people and property in the case of fire or floods and ensure adequate insurance covers are in place.
Regulatory risk Non-compliance with laws and regulations can have a negative impact on the Company.	Moderate	Statutory compliances are checked monthly and all non-compliances are reported to the Board. The code of Business ethics of the group requires that all employees comply with laws and regulations. A written undertaking is obtained from every employee, that the code of business Ethics will be followed by him/her. The code requires that all employees comply with all laws applicable to the Group. Tax Audits are carried out by the Tax Consultants on the compliance with the Tax Statutes.

Annual Report of the Board of Directors

1. GENERAL

The Board of Directors of United Motors Lanka PLC have pleasure in presenting to its members their report together with the audited financial statements for the year ended 31 March 2015. United Motors Lanka PLC is a public limited liability company incorporated in Sri Lanka on 09 May 1989 under the Companies Act No.17 of 1982.The ordinary shares of the company were listed in the Colombo Stock Exchange in 1989. The company was re-registered as per the Companies Act No. 07 of 2007, on 30 August 2007, under the company registration Number PQ-74. The registered office of the company is at 100, Hyde Park Corner, Colombo 02, at which the company's head office too is situated.

This report provides the information as required by the Companies Act No.07 of 2007, Listing Rules of the Colombo Stock Exchange and the recommended best practices on corporate governance. This report was approved by the Board of Directors on 28 May 2015.

The table given below provide the required and applicable details and cross reference to disclosures mandated by the Companies Act No.07 of 2007:

	Information required to be disclosed as per the Companies Act No. 07 of 2007	Reference to the Companies Act	Page Reference
i.	The nature of the business of the group and the company together with any change thereof during the accounting period	Section 168 (1) (a)	104
ii.	Signed financial statements of the group and the company for the accounting period completed	Section 168 (1) (b)	117
iii.	Auditor's report on financial statements of the group and the company	Section 168 (1) (c)	115
ix.	Accounting policies and any changes therein	Section 168 (1) (d)	105
v.	Particulars of the entries made in the interest register during the accounting period	Section 168 (1) (e)	107
vi.	Remuneration and other benefits paid to directors of the company and its subsidiaries during the accounting period	Section 168 (1) (f)	133
vii.	Amount of donations made by the company and its subsidiaries during the accounting period	Section 168 (1) (g)	133
viii.	Information on directorate of the company and its subsidiaries during and at the end of the accounting period	Section 168 (1) (h)	107
ix.	Disclosure on amounts payable to the auditors as audit fees and fees for other services rendered during the accounting period by the company and its subsidiaries	Section 168 (1) (i)	133
x.	Auditors' relationship or any interest with the company and its subsidiaries – audit fee/non-audit fee	Section 168 (1) (j)	108
xi.	Acknowledgement of the contents of this report/signatures on behalf of the Board	Section 168 (1) (k)	108

2. VISION, MISSION AND CORPORATE CONDUCT

The company's vision and mission are given on page 4 of the annual report. The business activities of the company are conducted maintaining the highest level of ethical standards at all times.

3. PRINCIPAL ACTIVITIES OF THE COMPANY AND THE GROUP

UNITED MOTORS LANKA PLC

United Motors Lanka PLC continues as the sole distributor for brand new Mitsubishi and Fuso vehicles, genuine Mitsubishi spares and provide after sales services to Mitsubishi & Fuso vehicle owners at Colombo and at its branches outstation.

The company continues to market Valvoline Lubricants and Eagle One Car Care products from USA and Simoniz Car Care Products from UK.

Subsidiary Companies	
Unimo Enterprises Limited	The company is engaged in the import and distribution of Perodua vehicles from Malaysia, Zotye Sports Utility and Commercial Vehicles, JMC Commercial Vehicles, Morris Garages (MG) cars, DFSK Vans from China and Yokohama Tyres from Japan. The company is also engaged in the assembly and marketing of DFSK Vans and Zotye Extreme sports utility vehicles from China.
Orient Motor Company Limited	This company is engaged in distribution of DFSK Trucks from China and the hiring of motor vehicles.
UML Property Developments Limited	This Company has constructed a warehouse and has leased it to United Motors Lanka PLC.
UML Agencies & Distributors (Pvt) Limited	During the year under review this company did not have any commercial transactions. Steps have been initiated to strike off this company from the register maintained by the Registrar General of Companies, under section 394 of the Companies Act No. 07 of 2007 (as amended).
Joint Venture	
TVS Lanka (Pvt) Limited	This company is a joint venture between United Motors Lanka PLC, TVS and Sons Ltd and TVS Motor Company of India and is engaged in the import and distribution of TVS motor cycles, TVS three wheelers, spare parts and after sales services to its customers.
TVS Automotives (Pvt) Limited	TVS Automotives (Pvt) Ltd, is a fully owned subsidiary of TVS Lanka (Pvt) Limited. The company is engaged in the sales and marketing of MAK Lubricants, JK and TVS Tyres.

On 09 October 2014, TVS Lanka (Pvt) Ltd (a joint venture between United Motors Lanka PLC, TVS and Sons Ltd and TVS Motor Company of India) disposed its entire shareholding of 1.3M shares of its subsidiary TVS Auto Parts (Pvt) Ltd.

There were no significant changes in the nature of principal activities of the company and the group during the financial year under review.

4. REVIEW ON OPERATION OF THE COMPANY AND THE GROUP

The “Chairman’s Report” and the “Group Chief Executive Officer’s Review of operations” which forms an integral part of this report provides an overall assessment on the financial performance and financial position of the company and its subsidiaries and joint venture and describes in detail its affairs and important events for the year. A detailed analysis of the operations and financial results is contained in the “Management Review”.

5. FUTURE DEVELOPMENTS

An overview of the future developments of the company is given in the “Chairman’s Report”, the “Group Chief Executive Officer’s Review” and the “Management Review”.

6. FINANCIAL STATEMENTS

The financial statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirements of Companies Act No 07 of 2007.

The financial statements of the company and of the group which are duly certified by the Executive Director - Finance, approved by the Board of Directors and signed by two members of the Board of Directors including the Chairman are given on page 117 of the annual report.

7. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the financial statements of the Company and to present a true and fair view of its state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, (SLFRSs and LKASs), Companies Act No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 and the Listing Rules of the CSE.

The Statement of Directors' Responsibility for Financial Reporting is given on page 114 and forms an integral part of the Annual Report of the Board of Directors.

8. AUDITORS' REPORT

The company's auditors M/s KPMG performed the audit on the consolidated financial statements for the year ended 31 March 2015. The auditors' report on the financial statements is given on page 115 of the annual report.

9. ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The company prepared the financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS). The significant accounting policies adopted in the preparation of the financial statements of the company and the group are given on pages 121 to 131 of the annual report.

The company adopted SLFRS 10 – Consolidated financial statements, SLFRS 11 – Joint arrangements, SLFRS 12- Disclosure of interests in other entities and SLFRS 13- Fair value measurements with effect from 01 April 2014.

As a result of SLFRS 11, the Group changed its accounting policy from 01 April 2014 from proportionate consolidation to equity method of accounting for its investment in joint venture. Details are given in Note 21 to the financial statements.

10. GOING CONCERN

The Directors are satisfied that the company, its subsidiaries and jointly controlled entities, have adequate resources to continue in operational existence for the foreseeable future, to justify adoption of the going concern basis. The Directors after making necessary inquiries and reviews, including reviews of the group's budget for the ensuing year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities, have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, continue to adopt the going concern basis in preparing the financial statements.

11. REVENUE

The company achieved a revenue of Rs 8.3 billion during the year ended 31 March 2015. The details of the revenue by segment is given under – Note 09 to financial statements.

12. DIVIDENDS AND RESERVES

Profits and appropriations

The details of the profits relating to the company and the appropriations are given in the table below:-

For the year ended 31 March	2015 Rs.'000	2014 Rs.'000
Profit for the year before taxation	1,586,165	1,984,058
Income tax expenses	(349,298)	(501,293)
Profit for the year after taxation	1,236,867	1,482,765
Other comprehensive income	12,781	(8,385)
Un-appropriated profit brought forward from previous year	3,430,473	2,830,564
Profit available for appropriation	4,680,121	4,304,944
Appropriations		
Dividend paid		
12/13 - Rs. 3.00 per share (second interim)	-	(201,801)
12/13 - Rs. 4.00 per share (final)	-	(269,068)
13/14 - Rs. 3.00 per share (first interim)	-	(201,801)
13/14 - Rs. 3.00 per share (second interim)	-	(201,801)
13/14 - Rs. 6.00 per share (final)	(403,603)	-
14/15 - Rs. 2.00 per share (first interim)	(201,801)	-
Un appropriated profit to be carried forward	4,074,717	3,430,473

Dividends

First interim dividend of Rs. 2.00 per share was paid on 18 March 2015, a final dividend of Rs 4.00 per share has been recommended by the Board of Directors for payment on 08 July 2015, subject to approval by the shareholders.

The Board of Directors provided the statement of solvency to the auditors and obtained the certificates of solvency from the auditors in respect of the interim dividend and would ensure the compliance of solvency test after the payment of the proposed final dividend.

Reserves

The total revenue reserves of the company as at 31 March 2015 amounted to Rs 5,704 million and the capital reserves of the company as at 31 March 2015 amounted to Rs 2,922 million. Details of the reserves are shown in the statement of changes in equity on page 119.

13. PROVISION FOR TAXATION

Provision for taxation has been computed at the prescribed rates and details are given in Note 14 to the financial statements.

14. CORPORATE DONATIONS

During the year under review the company donated a sum of Rs. 3,231,812 to charities and our Corporate Social Responsibility projects. The donations made to the government approved charities out of the above amount was Rs. 12,500.

15. PROPERTY, PLANT & EQUIPMENT

Investments in property, plant and equipment amounted to Rs. 139,267,000 details of such investment including the extent, locations, additions and disposal of property during the year and the depreciation charge for the year are shown in Note 17 to the financial statements.

Details of investment properties are given in Note 18 to the financial statements.

Market value of property, plant & equipment and investment property

All freehold lands were revalued by professionally qualified independent valuers at regular intervals and brought into financial statements.

A revaluation of land was carried out during the year under review. The Directors are of the opinion that the revalued amounts are not in excess of the current market values of such properties. Details of revaluation of property, plant & equipment and investment properties are given in Note 17 and 18 to the financial statements.

16. OUTSTANDING LITIGATIONS

In the opinion of the Directors and the company's lawyers, pending litigation against the company will not have a material impact on the financial results of the company or on its future operations.

17. POST BALANCE SHEET EVENTS

In the opinion of the Directors, no transactions or any other material events of an unusual nature has arisen during the period between the end of the financial year and the date of this report other than the revaluation of properties given in Note 17 & 18 to the financial statement.

18. STATED CAPITAL

The stated capital of the company as at 31 March 2015 was Rs.336,335,420 comprising of 100,900,626 ordinary shares.

Sub division of shares

The number of issued shares of the Company was increased by way of a sub division of shares, on the basis of one ordinary shares for every existing two ordinary shares without effecting any increase to the stated capital of the Company accordingly, the number of shares in issue as at 31 March 2015 is 100,900,626.

There has been no change in the stated capital during the year.

19. EQUITABLE TREATMENT TO SHAREHOLDERS

The company at all times ensures that all shareholders are treated equitably.

20. SHARE INFORMATION

Information relating to earnings, dividends, net assets, market value per share, other ratios and information on share trading, the share price movement is given under "share information".

Substantial shareholdings

There were 3,995 registered shareholders as at the balance sheet date. The distribution of the shareholding, the details of top twenty shareholders and the percentage holding of the public are given under "Share Information".

21. CORPORATE GOVERNANCE

The company maintains and practices high principles of good corporate governance. During the year under review, the company complied with all applicable laws and regulations in conducting its business. A separate report on " Corporate Governance" is given on pages 74 to 93 in the annual report.

22. BOARD OF DIRECTORS

The Board of Directors of the company as at 31 March 2015 consisted of nine Directors with wide knowledge and experience. The profiles of the Board of Directors are given in pages 22 to 25. Names of the Directors who held office as at the year-end are given in the following table:

Name of the Director	Status
Mr. Sunil G.Wijesinha (Chairman)	IND/NED
Mr. C. Yatawara (GCEO)	ED
Mr. A.W.Atukorala	IND/NED
Mr. A.C.M. Lafir	ED
Mr. R.H. Yaseen	ED
Mrs. A.H. Fernando	NIND/NED
Mr. M. Sawada	IND/NED
Mr. A.D.E.I. Perera	IND/NED
Prof. K. A. M. K. Ranasinghe	IND/NED

IND - Independent Director
NIND - Non Independent Director
NED - Non Executive Director
ED - Executive Director

List of Directors of Subsidiaries and Joint Venture of the company

Names of the Directors of subsidiaries and joint venture of the company are given in the "Group Structure" on pages 20 and 21

New appointments and resignations

Mr. A.D.E.I. Perera was appointed w.e.f. 27 May 2014 and Prof. K. A. M. K. Ranasinghe was appointed to the Board of United Motors Lanka PLC w.e.f. 22 July 2014. There has been no resignation/ retirement during the year.

Re-election of directors

In terms of the Companies Act No. 07 of 2007 and the Articles of Association, details of Directors who retire and seek re-election at the annual general meeting have been disclosed in the "Notice of Meeting" and the "Proxy Form".

Directors' meetings

Directors' meetings which comprise board meetings and board sub-committee meetings of audit committee, remuneration committee, nomination committee, related party transactions review committee and the attendance of Directors at these meetings are given on page 92 of the annual report.

Directors' dealings in shares of the company

Disclosure in respect of Directors' dealings in shares of the company during the year and their shareholding as at 31 March 2015 have been disclosed in "share information" on page 177.

Director's interests in contracts with the company

Directors' interests in contracts or proposed contracts with the company, both direct and indirect are disclosed in the related party transactions under Note 38 to the financial statements. Directors have no direct or indirect interest in any other contracts or proposed contracts with the company other than those disclosed. As a practice, Directors have refrained from voting on matters in which they were materially interested.

Directors' remuneration & other benefits

Details of the remuneration and other benefits to the Directors are set out in Note 12.1 to the financial statements.

The Directors have not taken any loans during the year under review.

Board sub committees

The Board while assuming the overall responsibility and accountability in the management of the company has also appointed Board subcommittees to ensure oversight and control over certain affairs of the company, conforming to corporate governance code and adopting the best practices. Accordingly, the following committees have been constituted by the Board:

Audit committee

Members

Mrs. A.H.Fernando *(Chairperson)*

Mr. Sunil G.Wijesinha
Mr. A.W.Atukorala

The report of the audit committee is given on pages 94 and 95 which forms part of the annual report.

Remuneration committee

Members

Mr. Sunil G.Wijesinha *(Chairman)*

Mr. A.W.Atukorala
Mrs. A. H. Fernando

The report of the remuneration committee is given on page 96 which forms a part of the annual report.

Nomination committee

Members

Mr. Sunil G.Wijesinha *(Chairman)*

Mr. A.W.Atukorala
Mr. C.Yatawara
Mrs. A. H. Fernando

The report of the nomination committee is given on page 97 which forms a part of the annual report.

Related party transactions review committee

Members

Mr. A.W.Atukorala *(Chairman)*

Mr. Sunil G.Wijesinha
Mr. C.Yatawara
Mr. A.C.M. Lafir
Mrs. A. H.Fernando

The report of the related party transactions review committee is given on page 98 which forms a part of the annual report.

Entries in the interests register

The company, in compliance with the Companies Act No.07 of 2007, maintains an interests register. All related entries were made in the interests register during the year under review.

23. RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors periodically review and evaluate the risks that are faced by the company. The various exposures to risk by the company, specific steps taken by the company in managing the risks are detailed under the "Enterprise Risk Management" on pages 99 to 102 of the annual report.

The Board of Directors, through the involvement of internal audit and monitoring department, has taken steps to ensure and have obtained reasonable assurance that an effective and comprehensive system of internal controls are in place covering financial, operational and compliance controls required to carry on the business in an orderly manner, safeguard the company's assets and to secure as far as possible the accuracy and reliability of the financial records.

The Board is satisfied with the effectiveness of the system of internal controls that were in place during the year under review and up to the date of approval of the Annual Report and Financial Statements. The Directors' statement on the internal controls is given on page 113.

24 COMPLIANCE WITH LAWS AND REGULATIONS

To the best of the knowledge and belief of the Directors, the company has not engaged in any activities contravening the laws and regulations of the country.

25 STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the government, other regulatory institutions and related to the employees have been made or provided for during the period under review.

26. SUPER GAIN TAX

The interim budget proposal presented by the Minister of Finance on 29 January 2015 and the pursuant bill presented to the Parliament on 07 April 2015, impose a one off tax of 25% on taxable profits for the year of assessment 2013/14 on any company or each company in a group of companies, if the company's / Group's profit before income tax exceeds Rs. 2,000 Mn. The impact to the company and the group will be assessed and if required provisions will be made when the bill is enacted.

27. ENVIRONMENTAL PROTECTION

The company has made its best endeavours to comply with the relevant environment laws and regulations. The company has not engaged in any activity that is harmful or hazardous to the environment and has taken all possible steps that are necessary to safeguard the environment from any pollution that could arise in the course of carrying out its sales and service operations.

Specific measures taken to protect the environment is given in the section on "Environment" in the Sustainability Report on pages 48 to 72.

28. OUR TEAM

The company continues to invest in human resource development and implement effective HR practices to ensure optimum contribution towards the achievement of its corporate goals. The number of persons employed by the company and its subsidiaries as at the year-end was 1,189. (2013/2014 – 1,168) .The details of human resources initiatives are included on pages 52 to 59 respectively.

29. INDUSTRIAL RELATIONS

There have been no material issues pertaining to employees and employee relations of the company during the period under review.

30. EMPLOYEE SHARE TRUST

UML employee Share Trust was formed with the intention of providing additional benefits to employees on retirement/resignation. As per the amended Listing Rules of Colombo Stock Exchange section 5.6.10(a), the Board of Directors decided to distribute the Trust property among all eligible employees and to wind up the share trust within 3 years from 1 March 2012.

Accordingly, in the month of April 2014, the unallocated 738,553 shares and the dividend income (the balance Trust property) of Rs. 16.54 Mn were distributed among 465 employees.

31. AUDITORS

Auditors' remuneration

The auditors, M/s KPMG were paid Rs 2,684,000/- as fees for audit related services. In addition they were paid Rs 62,000/- by the company for permitted non-audit related services.

Auditors' independence

Based on the declaration provided by M/s KPMG and as far as the Directors are aware, the auditors do not have any relationship or interests with the company or in any of the subsidiaries that may have a bearing on their independence, within the meaning of the Code of professional conduct and ethics issued by the Institute of Chartered Accountants of Sri Lanka.

Appointment of auditors

The retiring auditors M/S KPMG have expressed their willingness to continue in office. A resolution to re-appoint them as auditors and to authorize directors to fix their remuneration will be proposed at the Annual General Meeting.

32. ANNUAL GENERAL MEETING

The twenty sixth Annual General Meeting of the company will be held on 29 June 2015. The Notice of meeting relating to the Annual General Meeting is given on page 182.

33. ACKNOWLEDGEMENT OF THE CONTENTS OF THE REPORT

The Board of Directors has approved the company and consolidated financial statements on 28 May 2015. As required by the companies Act No.07 of 2007, the Board of Directors does hereby acknowledge the contents of this annual report.

Signed in accordance with a resolution adopted by the Directors.

Sunil G.Wijesinha
Chairman

C. Yatawara
Group Chief Executive Officer/ Executive Director

Mrs. R. M. Hisham
Company Secretary

28 May 2015

Financial Calendar

FINANCIAL STATEMENTS 2014/15

First quarter released on	- 14 August 2014
Second quarter released on	- 14 November 2014
Third quarter released on	- 12 February 2015
Fourth quarter released on	- 28 May 2015

ANNUAL REPORT & ACCOUNTS

2013/2014	- 04 June 2014

MEETINGS

Twenty fifth Annual General Meeting	- 27 June 2014
Twenty sixth Annual General Meeting	- 29 June 2015

DIVIDENDS

Final dividend 2013/2014	- 07 July 2014
First interim dividend 2014/2015	- 18 March 2015

Financial Content

Statement of Director's Responsibility

The responsibilities of the Directors' in relation to the financial statements of the Company and the consolidated financial statements of the company and its subsidiaries are set out in this statement . The responsibilities of the external auditors in relation to the financial statements are set out in "Auditors' Report" appearing on page 115.

As per the provisions of the Companies Act No. 07 of 2007, the Directors are required to prepare for each financial year and place before a general meeting financial statements which comprise of a statement of comprehensive income which presents a true and fair view of the financial performance of the company and the group for the financial year, and a statement of financial position which presents a true and fair view of the financial position of the company and the group as at the end of the financial year and which complies with the requirements of the Companies Act No. 07 of 2007.

The Directors have ensured that in preparing these financial statements;

- the appropriate accounting policies have been selected and applied in a consistent manner;
- all applicable accounting standards as relevant have been applied;
- prudent judgment and reasonable estimates have been made so that the form and substance of transactions are properly reflected; and
- Compliance with the Companies Act, Listing Rules of Colombo Stock Exchange.

Under section 150 of the Company's Act No. 07 of 2007, the Directors of the company are responsible for ensuring that proper books of account are maintained to record all transactions of the company and its subsidiaries and that financial statements are prepared for each financial year to give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for the year. In keeping with requirement, the company has maintained proper books of account and the financial reporting system is reviewed at regular intervals.

Following a review of the Company's financial and related information including cash flows and borrowing facilities, the Directors are satisfied that the company and its subsidiaries have adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the basis of a going concern and the Board accepts responsibility for the integrity and objectivity of the financial statements presented.

The Directors have provided the company's auditors, M/s KPMG with every opportunity to take whatever steps that are necessary and appropriate inspections for the purpose of enabling them to express their opinion. Accordingly M/s KPMG has examined the financial statements made available by the Board of Directors together with all the financial records, related information, minutes of board meetings etc., in order to express their opinion on financial statements are given on page 115.

The Directors are aware of the responsibility to take whatever steps that are reasonable to safeguard the assets of the company and that of the group and in that contexts to have appropriate internal control systems to prevent and detect fraud and other irregularities. The Directors have accordingly instituted comprehensive internal control mechanisms to ensure that as far as it is practically possible, the Company's business is carried out in an orderly manner, that its assets are safe guarded and that the records of the Company or accurate and reliable. The existence of such internal controls are regularly monitored by the Internal Audit division.

The Board of Directors also wishes to confirm that, as required by Section 166(1) and 167(1) of the Companies Act No.07 of 2007, they have prepared this annual report on time and ensured that a copy is sent to every shareholder of the company.

Further, the Board of Director's wishes to confirm that the company has complied with the requirements under the Section 07 on the Continuing Listing Requirements of the Listing Rules of the Colombo Stock Exchange, where applicable.

The Directors confirm that to the best of their knowledge and belief, all taxes and others statutory dues payable by the company and all contributions, taxes and levies payable by the companies within the Group on behalf of and in respect of its employees, for the financial year, have been paid or provided for in arriving at the financial results for the year under review.

By order of the Board.

RMHisham

Mrs. R. M. Hisham
Company Secretary

28 May 2015

Directors' Statement on Internal Controls

RESPONSIBILITY

The Board of Directors presents this report on internal controls as per requirements of Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of United Motors Lanka PLC's ("the Company") system of internal controls. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve the business objectives and policies of the Company. Accordingly, the system of internal controls can only provide a reasonable but not absolute assurance against material misstatement of management and financial information and records against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines.

The management assists the Board in the implementation of the Board's policies and procedures on risks and control by identifying and assessing the risks faced , by the Company, and designing, implementing and monitoring of suitable internal controls to mitigate and control these risks.

The Board is of the view that the system of internal controls in place is sound and adequate to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

KEY INTERNAL CONTROL PROCESSES ADOPTED IN APPLYING AND REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- The Internal Audit Division of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. Audits are carried out on all business of the Group in accordance with the annual audit plan approved by the Audit Committee. The frequency of which is determined by the level of risk assessed by the internal audit, to provide an independent and objective report on operational and management activities of these business processes at Head Office and branches. The findings of the internal audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee reviews internal control issues identified by the Internal Audit Division, the external auditors, management and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits. Details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on pages 94 and 95.

In assessing the internal control system, the divisional heads of the Company assessed all procedures and controls. These in turn were observed and checked by the Internal Audit Division for suitability of design and effectiveness on an on-going basis. The assessment included subsidiaries as well.

The recommendations made by the external auditors in connection with the internal control system in previous years were reviewed during the year and appropriate steps have been taken to implement them.

CONFIRMATION

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting. The preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements.

By order of the Board

Ms. A .H. Fernando
Chairperson
Audit Committee

Mr. C. Yatawara
Group Chief Executive Officer/Executive Director

Mr. Sunil. G. Wijesinha
Chairman

28 May 2015

CEO and CFO's Responsibility Statement

The financial statements of United Motors Lanka PLC and the group are prepared in compliance with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Companies Act No. 07 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the listing rules of the Colombo Stock Exchange applicable to the company.

The accounting policies used in the preparation of the financial statements are appropriate and are consistently applied, except where otherwise stated in the notes accompanying the financial statements. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

The significant accounting policies adopted in the preparation of the financial statements of the group and the company are given on pages 121 to 131 of the annual report.

We confirm, that to the best of our knowledge, the financial statements and other financial information included in this annual report, fairly present in all material aspects, the financial position, results of operations and cash flows of the company and the group as of and for the periods presented in this annual report.

The Board of Directors and the management of your company accepts responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements were made on a prudent and reasonable basis, in order that the financial statements reflect a true and fair manner, the form and substance of transactions and reasonably present the company's state of affairs. It is confirmed that the company has adequate resources to continue its operation in the foreseeable future. Therefore, the company will continue to adopt the 'going concern' base in preparing these financial statements. We are responsible for establishing and maintaining internal controls and procedures and have designed such controls and procedures, or caused such controls and procedures to be designed under our supervision, to ensure that material information relating to the company is made known to us and for safeguarding the company's assets and preventing and detecting fraud and error. We have evaluated the effectiveness of the company's internal controls and procedures and are satisfied that the controls and procedures were effective as of the end of the period covered by this annual report. We confirm, based on our evaluations that there were no significant deficiencies and material weaknesses in the design or operation of internal controls. No fraud that involved management or other employees was reported in the year under review.

Our internal audit division has conducted periodic audits to provide reasonable assurance that the established policies and procedures of the company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The financial statements were audited by KPMG, Chartered Accountants, the independent auditors.

The Audit Committee of your Company meets periodically with the internal auditors and the independent auditors to review the manner in which the auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent auditors and the internal auditors have full and free access to the members of the audit committee to discuss any matter of substance.

It is also declared and confirmed that the company has complied with and ensured compliance with the guidelines for the Listed Companies where mandatory compliance is required. It is further confirmed that the Company has complied with all applicable laws, regulations and other guidelines and that there are no known material litigations and claims against the company other than those arising out of the normal course of business.

C. Yatawara
Group Chief Executive Officer/Executive Director

A. C. M. Lafir
Executive Director - Finance

28 May 2015

Independent Auditors' Report

KPMG

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF UNITED MOTORS LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of United Motors Lanka PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31st March 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 116 to 173.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion;

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

- The financial statements of the Company give a true and fair view of its financial position as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

- The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Chartered Accountants
28 May 2015
Colombo.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Note	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Revenue	9	10,538,194	11,040,794	8,316,203	7,041,192
Cost of sales		(7,811,292)	(7,638,612)	(5,814,975)	(4,165,645)
Gross profit		2,726,902	3,402,182	2,501,228	2,875,547
Other income	10	91,603	31,821	70,028	42,261
Distribution expenses		(307,588)	(290,498)	(173,511)	(161,992)
Administrative expenses		(1,261,240)	(1,164,030)	(1,195,710)	(1,082,925)
Other expenses	11	523	(49,388)	(1,444)	(29,757)
Profit from operations	12	1,250,200	1,930,087	1,200,591	1,643,134
Finance income	13.1	394,621	291,004	418,581	380,366
Finance cost	13.1	(82,362)	(66,792)	(33,007)	(39,442)
Net finance income		312,259	224,212	385,574	340,924
Share of profit of equity accounted investees (net of income tax)		63,422	20,046	-	-
Profit before income tax expenses		1,625,881	2,174,345	1,586,165	1,984,058
Income tax expense	14	(363,549)	(566,624)	(349,298)	(501,293)
Profit for the year		1,262,332	1,607,721	1,236,867	1,482,765
Other comprehensive income					
Items that will never be reclassified to profit or loss					
Employee benefit plan actuarial gains / (losses)	30.6	15,100	(7,256)	16,545	(8,385)
Gain from revaluation of land	17	1,733,106	-	1,733,106	-
Deferred tax on actuarial gains on defined benefit obligation	31.1	(3,335)	-	(3,764)	-
Equity accounted investees - share of other comprehensive income		126	3,242	-	-
Items that are or may be reclassified to profit or loss					
Net change in fair value of available for sale financial assets	13.2	(63,531)	(2,686)	(62,313)	(2,686)
Total other comprehensive income / (loss) for the year		1,681,466	(6,700)	1,683,574	(11,071)
Total comprehensive income for the year		2,943,798	1,601,021	2,920,441	1,471,694
Profit attributable to:					
Equity holders of the parent		1,262,332	1,607,721	1,236,867	1,482,765
Profit for the year		1,262,332	1,607,721	1,236,867	1,482,765
Total comprehensive income attributable to:					
Equity holders of the parent		2,943,798	1,601,021	2,920,441	1,471,694
Total comprehensive income for the year		2,943,798	1,601,021	2,920,441	1,471,694
Earnings per share (Rs)	15	12.51	15.93	12.26	14.70
Dividend per share (Rs)	16	-	-	8.00	13.00

Notes from pages 121 to 173 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Statements of Financial Position

As at 31 March	Note	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Group 01.04.2013 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Assets						
Non-current assets						
Property, plant and equipment	17	4,631,451	2,898,022	2,156,040	4,333,115	2,536,725
Investment property	18	-	-	-	150,864	151,378
Intangible assets	19	5,688	7,498	10,645	2,472	4,023
Investments In subsidiaries	20	-	-	-	172,400	173,400
Investments In equity accounted investees	21	632,183	574,365	552,544	173,545	173,545
Other investments	22	463,622	762,806	1,212,552	436,448	762,806
Defined benefit plan	30.2	111,086	108,614	96,758	107,457	107,054
Deferred tax assets	31.1	24,033	40,210	44,049	12,404	25,546
Total non current assets		5,868,063	4,391,515	4,072,588	5,388,705	3,934,477
Current assets						
Inventories	23	3,934,112	3,323,640	2,621,134	2,995,219	2,140,453
Trade and other receivables	24	1,699,247	1,438,365	1,164,140	1,279,659	951,562
Amounts due from related parties	25	1,125	6,561	8,429	15,193	24,868
Current tax receivables	34	27,244	5,403	-	-	-
Other investments	22	1,402,850	703,552	-	924,414	503,552
Cash and cash equivalents	26	216,543	207,835	1,349,378	177,676	162,290
Total current assets		7,281,121	5,685,356	5,143,081	5,392,161	3,782,725
Total assets		13,149,184	10,076,871	9,215,669	10,780,866	7,717,202
Equity and liabilities						
Equity						
Stated capital	27	336,335	336,335	336,335	336,335	336,335
Revaluation reserves	28	2,956,382	1,223,276	1,223,276	2,922,336	1,189,230
Revenue reserves		1,627,965	1,691,496	1,694,182	1,629,183	1,691,496
Retained earnings		5,514,889	4,846,070	4,116,834	4,074,717	3,430,473
Total equity attributable to the equity holders of the parent		10,435,571	8,097,177	7,370,627	8,962,571	6,647,534
Non-current liabilities						
Employee benefits	30.1	166,343	159,837	135,818	152,919	150,121
Deferred tax liabilities	31.2	15,031	14,029	13,027	-	-
Total non-current liabilities		181,374	173,866	148,845	152,919	150,121
Current liabilities						
Interest bearing borrowings	29	1,105,227	751,500	451,647	462,785	100,700
Trade and other payables	32	1,212,873	775,400	744,517	923,184	442,483
Amounts due to related parties	33	-	-	-	67,714	117,820
Current tax liabilities	34	100,775	119,421	385,569	100,499	117,143
Bank overdrafts	26	113,364	159,507	114,464	111,194	141,401
Total current liabilities		2,532,239	1,805,828	1,696,197	1,665,376	919,547
Total liabilities		2,713,613	1,979,694	1,845,042	1,818,295	1,069,668
Total equity and liabilities		13,149,184	10,076,871	9,215,669	10,780,866	7,717,202
Net assets per share (Rs)		103.42	80.25	73.05	88.83	65.88

Notes from pages 121 to 173 form an integral part of these financial statements.

I certify that these financial statements are in compliance with the requirements of Companies Act No. 07 of 2007.

A. C. M. Lafir
Executive Director - Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Theses financial statements were approved by the Board of Directors on 28 May 2015.

Approved and signed for and on behalf of the Board of Directors.

Sunil G. Wijesinha
Chairman

C. Yatawara
Group CEO / Executive Director

Colombo
28 May 2015

Statements of Changes in Equity

	Attributable to equity holders of parent									
	Stated capital	Revaluation reserve	Development reserve	Property, plant & equipment replacement reserves	General reserve	Available for sale reserve	Retained earnings	Total	Non controlling interest	Total equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Group										
Balance as at 01.04.2013, as previously reported	336,335	1,223,276	785,400	308,900	466,250	133,632	4,116,834	7,370,627	4,880	7,375,507
Impact on changes in accounting policies									(4,880)	(4,880)
Restated balance as at 01.04.2013	336,335	1,223,276	785,400	308,900	466,250	133,632	4,116,834	7,370,627	-	7,370,627
Total comprehensive income for the year (restated)										
Profit for the year							1,607,721	1,607,721		1,607,721
Other comprehensive income										
Employee benefit plan actuarial losses							(7,256)	(7,256)		(7,256)
Net change in fair value of available for sale financial assets						(2,686)	-	(2,686)		(2,686)
Equity accounted investees - share of other comprehensive income							3,242	3,242		3,242
Total comprehensive income for the year (restated)	-	-	-	-	-	(2,686)	1,603,707	1,601,021	-	1,601,021
Transactions with owners, recognised directly in equity										
Distribution to owners of the company										
Second interim dividend paid 2012 / 2013							(201,801)	(201,801)		(201,801)
Final dividend paid 2012 / 2013							(269,068)	(269,068)		(269,068)
First interim dividend paid 2013 / 2014							(201,801)	(201,801)		(201,801)
Second interim dividend paid 2013 / 2014							(201,801)	(201,801)		(201,801)
Balance as at 31.03.2014 (restated)	336,335	1,223,276	785,400	308,900	466,250	130,946	4,846,070	8,097,177	-	8,097,177
Total comprehensive income for the year										
Profit for the year							1,262,332	1,262,332		1,262,332
Other comprehensive income										
Employee benefit plan actuarial gain							15,100	15,100		15,100
Gain from revaluation of land		1,733,106						1,733,106		1,733,106
Deferred tax on actuarial gain on defined benefit obligation							(3,335)	(3,335)		(3,335)
Net change in fair value of available for sale financial assets						(63,531)	-	(63,531)		(63,531)
Equity accounted investees - share of other comprehensive income							126	126		126
Total comprehensive income for the year	-	1,733,106	-	-	-	(63,531)	1,274,223	2,943,798	-	2,943,798
Transactions with owners, recognised directly in equity										
Distribution to owners of the company										
Final dividend paid 2013 / 2014							(403,603)	(403,603)		(403,603)
First interim dividend paid 2014 / 2015							(201,801)	(201,801)		(201,801)
Balance as at 31.03.2015	336,335	2,956,382	785,400	308,900	466,250	67,415	5,514,889	10,435,571	-	10,435,571

	Stated capital	Revaluation reserve	Development reserve	Property, plant & equipment replacement reserves	General reserve	Available for sale reserve	Retained earnings	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Company								
Balance as at 01.04.2013	336,335	1,189,230	785,400	308,900	466,250	133,632	2,830,564	6,050,311
Total comprehensive income for the year								
Profit for the year							1,482,765	1,482,765
Other comprehensive income								
Employee benefit plan actuarial losses							(8,385)	(8,385)
Net change in fair value of available for sale financial assets	-	-	-	-	-	(2,686)	-	(2,686)
Total comprehensive income for the year	-	-	-	-	-	(2,686)	1,474,380	1,471,694
Transactions with owners, recognised directly in equity								
Distribution to owners of the company								
Second interim dividend paid 2012 / 2013							(201,801)	(201,801)
Final dividend paid 2012 / 2013							(269,068)	(269,068)
First interim dividend paid 2013 / 2014							(201,801)	(201,801)
Second interim dividend paid 2013 / 2014							(201,801)	(201,801)
Balance as at 31.03.2014	336,335	1,189,230	785,400	308,900	466,250	130,946	3,430,473	6,647,534
Total comprehensive income for the year								
Profit for the year							1,236,867	1,236,867
Other comprehensive income								
Employee benefit plan actuarial gain							16,545	16,545
Gain from revaluation of land		1,733,106					-	1,733,106
Deferred tax on actuarial gain on defined benefit obligation							(3,764)	(3,764)
Net change in fair value of available for sale financial assets						(62,313)	-	(62,313)
Total comprehensive income for the year	-	1,733,106	-	-	-	(62,313)	1,249,648	2,920,441
Transactions with owners, recognised directly in equity								
Distribution to owners of the company								
Final dividend paid 2013 / 2014							(403,603)	(403,603)
First interim dividend paid 2014 / 2015							(201,801)	(201,801)
Balance as at 31.03.2015	336,335	2,922,336	785,400	308,900	466,250	68,633	4,074,717	8,962,571

In accordance with LKAS 10 "Events after the reporting period" proposed dividend is not recognised as a separate item under equity and such dividend has been disclosed in note 40.

Revaluation reserve on property, plant & equipment represents the unutilised revaluation surplus arising out of the revaluation of lands of United Motors Lanka PLC and TVS Lanka (Pvt) Ltd, a joint venture of the group.

Property, plant & equipment replacement reserve represents profits reserved by the company for the replacement of capital assets that have either completed their economic life or whose technologies are out-dated and thus require replacement.

Development reserve represents profits that have been held in reserve to fund future development projects of the company.

General reserves are profits held in the reserve to fund future needs of the business which have not been specified.

Available for sale reserve comprises the cumulative net change in the fair value of available for sale financial assets until the investments are derecognised or impaired.

Notes from page 121 to 173 form an integral part of these financial statements.

Figures in the brackets indicate deduction.

Statements of Cash Flows

For the year ended 31 March	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Cash flows from operating activities				
Profit before income tax expense	1,625,881	2,174,345	1,586,165	1,984,058
Adjustments for;				
Provision for depreciation / amortisation	137,521	116,347	73,015	59,322
Profit on disposal of property, plant & equipment	(24,261)	(14,567)	(17,160)	(13,630)
Profit on sale of shares	(281,713)	(74,484)	(280,060)	(74,484)
Interest expense	80,796	44,017	31,441	16,668
Interest income	(79,704)	(127,760)	(51,443)	(137,568)
Dividend income	(22,849)	(52,544)	(22,790)	(52,544)
Dividend received from equity accounted investees	-	-	(5,198)	(1,685)
Dividend received from subsidiary	-	-	(54,000)	(85,476)
Impairment of trade receivables	12,517	13,013	2,506	882
Provision for employee benefit obligations	33,674	27,281	30,328	24,627
Expected return on plan asset	(11,273)	(10,025)	(11,128)	(10,025)
Share of profits of equity accounted investees	(64,508)	(20,046)	-	-
Loss on disposal of equity accounted investees	1,086	-	-	-
Witholding tax on dividend received from equity accounted investees	578	65	-	-
Capital work-in-progress written off	3,888	-	3,888	-
(Reversal)/provision for slow moving/obsolete inventories	(13,040)	36,375	(1,062)	28,875
Loss on disposal of non current investment	-	-	81	-
Fair value adjustment on unit trust	(7,850)	(3,552)	(4,414)	(3,552)
Operating profit before working capital changes	1,390,743	2,108,465	1,280,169	1,735,468
Increase in inventories	(597,432)	(738,880)	(853,705)	(633,369)
Increase in trade and other receivables	(273,401)	(287,235)	(330,602)	(258,585)
Decrease in amounts due from related party receivables	5,436	1,868	9,675	16,698
(Decrease)/increase in amounts due to related party payables	-	-	(50,106)	67,205
Increase/(decrease) in trade and other payables	437,472	31,482	480,700	(70,984)
Cash generated from operations	962,818	1,115,700	536,131	856,433
Interest paid	(77,969)	(44,017)	(30,956)	(16,668)
Income tax paid	(390,192)	(833,334)	(356,564)	(727,172)
Contribution paid and received from investment plan (net)	(1,313)	(51)	(260)	-
Net cash generated from operating activities	493,344	238,298	148,351	112,593
Cash flows from investing activities				
Acquisition of shares and investment in unit trust	(932,671)	(479,516)	(616,967)	(279,516)
Proceeds from disposal of shares / Units in unit trust	758,591	301,058	744,626	301,057
Proceeds from disposal of non current investment	-	-	919	-
Acquisitions of property, plant & equipment and intangible assets	(141,639)	(862,251)	(139,267)	(753,442)
Proceeds from disposal of property, plant & equipment	25,933	21,353	18,304	14,171
Investment in other long term assets - employee benefits	(1,954)	(12,299)	-	(10,832)
Interest received	79,704	127,760	51,443	137,568
Dividend received from equity accounted investees	5,198	1,685	-	-
Dividend received	22,849	52,544	81,988	139,705
Net cash (used in)/generated from investing activities	(183,989)	(849,666)	141,046	(451,289)
Cash flows from financing activities				
Dividend paid	(605,404)	(874,471)	(605,404)	(874,471)
Loans obtained	10,381,453	8,885,662	6,218,263	4,121,988
Loans paid	(10,030,553)	(8,586,409)	(5,856,663)	(4,021,888)
Net cash used in financing activities	(254,504)	(575,218)	(243,804)	(774,371)
Net increase/(decrease) in cash & cash equivalents	54,851	(1,186,586)	45,593	(1,113,067)
Cash & cash equivalents at beginning of year	48,328	1,234,914	20,889	1,133,956
Cash and cash equivalents at end of year (note 26)	103,179	48,328	66,482	20,889

Notes from page 121 to 173 form an integral part of these financial statements.
Figures in the brackets indicate deduction.

Notes to the Financial Statements

1. REPORTING ENTITY

United Motors Lanka PLC (the "Company"), is a public quoted company incorporated on 9 May 1989 and domiciled in Sri Lanka. The registered office and the principal place of business of the company are located at No. 100, Hyde Park Corner, Colombo 02. The consolidated financial statements of the group as at and for the year ended 31 March 2015 comprise the company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities") and the group's interests in joint ventures. All the group entities and joint ventures are limited liability companies, incorporated and domiciled in Sri Lanka. The principal activities of the company, subsidiaries and joint ventures are given below.

Name of company	Principal activities
United Motors Lanka PLC	Importation & distribution of brand new Mitsubishi & Fuso vehicles, spare parts, lubricants, after sales services and related services.
Subsidiaries	
Unimo Enterprises Ltd	Importation & distribution of vehicles & tyres and assembling of vehicles
Orient Motor Company Ltd	Importation & distribution and hiring of vehicles
UML Property Developments Ltd	Renting of premises
Joint ventures	
TVS Lanka (Pvt) Ltd	Importation & distribution of motor bikes, three wheelers, spare parts & related services
TVS Automotives (Pvt) Ltd	Importation & distribution of lubricants & tyres

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

2.2 Basis of measurement

The consolidated financial statements have been prepared on an accrual basis except for cash flow information and under the historical cost convention except for following material items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Available for sale financial assets are measured at fair value.
- Defined benefit obligation is measured after actuarially valuing and the present value of the defined benefit obligation is recorded. Defined benefit asset is measured at fair value.
- Land stated at valuation.

2.3 Functional and presentation currency

The financial statements of the company and the group are presented in Sri Lankan Rupees, which is the company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with SLFRS/LKAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

Information about significant areas of estimates, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognised in these financial statements are included in the following notes.

Note 17 - Provision for depreciation
Note 24 - Impairment of trade receivables
Note 30 - Employee benefit obligations
Note 31 - Deferred tax liabilities/ assets
Note 37 - Contingent liabilities

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes below, the group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 April 2014.

a. SLFRS 10 – Consolidated Financial Statements

As a result of SLFRS 10 the group has changed its accounting policy in determining whether it has control and consequently whether it should consolidate its investees. This standard introduced a new control model.

SLFRS 10 establishes principles for the preparation and presentation of consolidated financial statements when an entity controls one or more other entities.

An entity is said to have control over another if the following three criteria are met:

i. power over the investee,
ii. exposure, or rights, to variable returns from its involvement with the investee, and
iii. the ability to use its power over the investee to affect the amount of the investor's returns.

There is no change in control conclusion from previous year.

b. SLFRS 11 – Joint Arrangement

SLFRS 11 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The application of this standard replaced accounting for joint ventures on proportionate consolidation method with equity method of accounting.

The quantification of the impact of this standard on the financial position of the group, consolidated comprehensive income and cash flows are described in detail in note 21.1.

c. SLFRS 12 – Disclosure of Interests in Other Entities

SLFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

As a result of SLFRS 12, the group has expanded disclosures about its interest in equity accounted investees.

d. SLFRS 13 – Fair Value Measurement

SLFRS 13 defines fair value, sets out the framework for measuring fair value and requires disclosures about fair value measurement.

SLFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other SLFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other SLFRSs, including SLFRS 7. As a result, the group has included additional disclosures in this regard. Refer note 17.4 and 36.6.

3.1 Basis of consolidation

The group's financial statements comprise consolidated financial statements of the company, its subsidiaries in terms of SLFRS 10 – Consolidated and Separate Financial Statements and its joint venture in terms of SLFRS 11 –Joint Arrangements.

3.1.1 Acquisitions and divestments

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The results of subsidiaries and joint ventures have been included from the date of acquisition, or incorporation while results of subsidiaries and joint ventures disposed will be included up to the date of disposal. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

3.1.2 Subsidiaries

Subsidiaries are those entities controlled by the group. Control exists when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements are prepared to a common financial year end of 31 March. The accounting policies of subsidiaries are in line with the policies adopted by the company. All the assets and liabilities of the company and the subsidiaries are included in the consolidated statement of financial position.

3.1.3 Interests in equity-accounted investees

The group's interest in equity-accounted investees comprises interest in a joint venture.

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities.

Interest in joint venture is accounted for using the equity method. They are recognised initially at cost, which includes transactions costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and OCI of equity accounted investees until the date on which joint control ceases.

3.1.4 Loss of control

Upon the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date of control is lost. Subsequently it is accounted for as an equity accounted investee or in accordance with the group's accounting policy for financial instruments depending on the level of influence retained.

3.1.5 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated to the extent of the group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing as at the reporting date. Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates of the transactions. Nonmonetary assets & liabilities that are stated at fair value denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the dates that the values were determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

3.3 Financial instruments

3.3.1 Non derivative financial assets

3.3.1.1 Initial recognition and measurement

Financial Assets are recognised when and only when the company becomes a party to the contractual provisions of the financial instruments. The company determines the classification of its financial assets at initial recognition. When financial assets are recognised they are measured at fair value plus directly attributable transaction costs, however in the case of financial assets classified at fair value through profit or loss, directly attributable transaction costs are not considered.

The financial assets include cash and cash equivalent, short term deposits, investments in commercial paper, unit trusts, treasury bills, equity shares and trade and other receivables.

3.3.1.2 Classification and Subsequent Measurement

At inception, a financial asset is classified into one of the following categories;

- At fair value through profit or loss
- Loans and receivables
- Available-for-sale
- Held to maturity investments

The subsequent measurement of financial assets depends on their classification as follows;

Financial assets at fair value through profit or loss

Financial asset at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of comprehensive income.

Investments in unit trust are classified as financial assets at fair value through profit or loss.

Loans & receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method (EIR), less any impairment losses. The losses arising from impairment are recognised in the statement of comprehensive income in impairment losses on loans and receivables.

Loans and receivables comprises of cash and cash equivalents, trade and other receivables and receivables from related companies.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale. According to LKAS 39 investment in long term equity securities are classified as available for sale financial assets. Available for sale financial assets are recognised at fair value, subsequently measured at fair value, with changes recognised in other comprehensive income (OCI) and presented within equity in the available for sale reserve. If there is significant and prolong decline in fair value, such decline is identified as impairment. Impairment losses shall be recognised in the profit or loss and cumulative losses recognised in the OCI will be recycled to profit or loss.

Available for sale financial assets comprises investments in equity securities.

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the group has the positive intention and ability to hold them to maturity. After initial measurement, held-to maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income under finance costs.

There were no assets classified as held to maturity as at the reporting date.

3.3.1.3 Derecognition
The company and group derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

3.3.1.4 Impairment of financial asset
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Impairment of financial assets carried at amortized cost
The group considers evidence of impairment for receivables at both specific asset and collective level. All individually significant receivables are assessed for specific impairment. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgments as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. If a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. When the group considers that there is no realistic process of recovery of the asset, the relevant amounts are written off.

Impairment of financial assets - available for sale
Impairment losses on available for sale financial assets are recognised by reclassifying accumulated losses that has been recognised in other comprehensive income and presented in the fair value reserve in equity, to profit or loss. If, in a subsequent period, the fair value of an impaired available for sale asset increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

3.3.2 Non derivative financial liabilities
3.3.2.1 Initial recognition and measurement
Financial liabilities within the scope of SLFRS/LKAS are recognised when and only when the company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value plus transaction cost that are directly attributable to the issue of the financial liability, which are not at fair value through profit or loss. Financial liabilities can be classified in to two categories as financial liabilities at fair value through profit or loss and other financial liabilities. Company has classified its financial liabilities in to other financial liability category.

3.3.2.2 Subsequent measurement
The group classifies non derivative financial liability into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Such financial liabilities measured at amortized cost includes trade and other payables, interest bearing borrowings, amounts due to related companies etc.

3.3.2.3 Derecognition
A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

3.3.3 Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.4 Non financial assets and basis of measurement

3.4.1 Property, plant and equipment
Property, plant and equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

Basis of Recognition
Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the group and cost of the asset can be reliably measured.

Measurement
An item of property, plant and equipment that qualifies for recognition as an asset

is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

Cost model
The group applies cost model to property, plant and equipment except for freehold land and records at cost of purchase or construction together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

Revaluation model
The group applies the revaluation model to the entire class of freehold land. Such properties are carried at a revalued amount, being their fair value at the date of revaluation and subsequent accumulated impairment losses. Freehold land of the group is revalued every five years to ensure that the carrying amounts do not differ materially from the fair values at the reporting date.
On revaluation of an asset, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the profit or loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in comprehensive income or is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are charged to the statement of comprehensive income as incurred.

Derecognition
The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in statement of comprehensive income when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost is derecognised.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of comprehensive income on straight-line basis over the estimated useful lives of each item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease terms and useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease period. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 years
Furniture and fittings	5 years
Office equipment	4 years
Electrical fixtures and fittings	4 years
Machinery and tools	4 – 10 years
Motor vehicles	4 years
Reference books	10 years
Computers	5 years

UML Property Developments Limited, a BOI company, depreciated freehold building at 2.5% per annum.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in note 17.

Leasehold improvements are capitalized and depreciated over the life time of the lease or useful life whichever is shorter.

Borrowing cost
As per LKAS 23 on “Borrowing costs”, the group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.
A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit and loss in the period it is incurred.

Capital work-in-progress
Capital expenses incurred during the year which are not completed as at the reporting date are shown as capital work-in-progress, whilst the capital assets which have been completed during the year and in use have been transferred to property, plant & equipment.

3.4.2 Investment properties
Investment properties are properties held either to earn rental income or for capital appreciation or both but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

Basis of recognition
Investment property is recognised if it is probable that future economic benefits that are associated with the investment property will flow to the group and cost of the investment property can be reliably measured.

Below mentioned properties classified as investment properties in the books of United Motors Lanka PLC and UML Property Developments Limited do not qualify as an investment property in the consolidated financial statements.

- The parent company, United Motors Lanka PLC rented part of the land and building to its subsidiaries/affiliates.
- The building held by UML Property Developments Limited is rented to the parent company, United Motors Lanka PLC.

Measurement
An investment property is measured initially at its cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete. The group applies the cost model for investment properties in accordance with LKAS 40 "Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation
Depreciation is provided on a straight line basis over the estimated life of the class of asset from the date of purchase up to the date of disposal. UML Property Developments Limited depreciated freehold building at 2.5% per annum and United Motors Lanka PLC depreciated freehold buildings at 10% per annum.

De recognition
Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected.

Reclassification of investment property
When the use of a property changes from owner-occupied to investment property, the transfers are recorded at carrying amount following the cost model as per LKAS 40.

3.4.3 Leased assets
Finance leases
Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases
Other leases are operating leases. Assets leased within the group are not recognised in the group's statement of financial position.

3.4.4 Intangible assets
An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, or for administrative purpose.

Basis of recognition
Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the assets can be measured reliably.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. The negative goodwill is recognised immediately in the statement of comprehensive income. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Software
All computer software costs incurred licensed for use by the group, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and is probable that they will lead to future economic benefits, are included in the statement of financial position under the category intangible assets and carried at cost less amortization and any accumulated impairment losses.

Amortisation
Computer software are amortised over their estimated useful economic life over a period of 5 years on a straight-line basis. They are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Retirement and disposal
An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

3.4.5 Inventories
Inventories are measured at the lower of cost and net realizable value.
The cost of inventories that are not interchangeable are recognised by using specific identification of their individual cost and other inventories are based on weighted average cost formula. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Accordingly, the costs of inventories are accounted as follows:

Motor vehicles	- at actual cost
Goods-in-transit	- at actual cost
Work-in-progress	- at cost of spares
Other stocks	- at purchase cost on a first in first out basis

Provisions are made for all non-moving and obsolete items on inventory to reflect the lower of cost or net realizable value.

3.4.6 Impairment - non financial assets
The carrying value of the group's non-financial assets, other than inventories, and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash- generating unit is the greater of if it's value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together in to the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("cash- generating unit or CGU") for the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the group of CGUs that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decrease or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

3.5 Liabilities and provisions
3.5.1 Provisions
A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.5.2 Dividends payable
Provision for final dividends is recognised at the time the dividend recommended and declared by the Board of Directors, is approved by the shareholders. Interim dividends payable is recognised when the Board approves such dividend in accordance with the provisions of the Companies Act No. 07 of 2007.

Dividend for the year that are approved after the reporting period are disclosed under events after the reporting period in accordance with the Sri Lanka Accounting Standards LKAS 10.

3.5.3 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Employees' Provident Fund

The company and employees contribute 12% and 10% respectively of the salary of each employee to the approved Private Provident fund. Other companies of the group and their employees contribute at 12% and 8% respectively to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The company /group contribute 3% of the salary of each employee to the Employees' Trust Fund managed by Central Bank of Sri Lanka.

Contributions to defined contribution plans are recognised as an expense in the statement of comprehensive income as incurred.

Defined benefit plans - retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company and the group are liable to pay retirement benefits under the Payment of Gratuity Act, No 12 of 1983. The net obligation of the group in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the Projected Unit Credit (PUC) method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined liability, taking in to account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The company's liability arising on retirement benefits of employees joined prior to 1992/93 is partly externally funded through investment in NDB Mutual Funds. The gratuity liability of the employee joined after 1992 is externally funded and a policy agreement has been entered in to with AIA Insurance which covers 651 employees of the company as at 31 March 2015.

Subsidiaries and joint ventures

All the subsidiaries & joint ventures have adopted actuarial valuation method in line with group accounting policies.

The gratuity liability of subsidiaries and joint ventures is partly externally funded with AIA Insurance PLC.

3.5.4 Capital commitments & contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitment and contingent liabilities of the group are disclosed in the respective notes to the Financial Statements.

3.5.5 Events after the reporting date

The materiality of the events after the reporting date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

3.6 Statement of comprehensive income

3.6.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the group and the associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of sales returns, trade discounts and revenue related taxes. Group Revenue is shown after eliminating intercompany sales in full. The following specific criteria are used for the purpose of recognition of revenue.

3.6.2 Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible returns of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts, and volume rebates.

3.6.3 Services rendered

Revenue for services rendered is recognised in the statement of comprehensive income after completion of the service.

3.6.4 Facilitation fee

Facilitation fee is recognised in the statement of comprehensive income at the point of invoicing to the supplier.

3.6.5 Profit on disposal of property, plant & equipment

Profits or losses resulting from disposal of property, plant & equipment have been accounted on cash basis in the statement of comprehensive income.

3.6.6 Rental income

Rental Income is recognised on an accrual basis.

3.6.7 Dividend income
Dividend income is recognised in the statement of comprehensive income on the date that the group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

3.6.8 Interest income
Interest income is recognised as it accrues in the statement of comprehensive income using effective interest method.

3.6.9 Expenditure
All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of statement of comprehensive income, the Directors are of the opinion that function of expense method present fairly the elements of the enterprise's performance, hence such presentation method is adopted. Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to the statement of comprehensive income in the year in which the expenditure is incurred. The profit earned by the company is before income tax expense and after making provision for all known liabilities and for the depreciation of property, plant & equipment.

3.6.10 Warranties
Costs incurred by the company under the terms of the warranty agreement between principal suppliers are reimbursed to the company. Any amounts that are not reimbursed under the warranty agreement are charged to the statement of comprehensive income.

3.6.11 Finance costs / income
Finance costs comprise interest payable on all financial liabilities such as term loans, overdrafts and finance leases.

Finance income comprises interest income, income from unit trusts, profit from disposal of marketable securities, dividend income, foreign exchange gain and all other income received or receivable as a result of holding financial asset.

The interest component of finance lease payment is recognised in the financial statements using effective rate method.

3.6.12 Income tax expense
Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised directly in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income.

3.6.13 Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment made to tax payable in respect of previous years.

3.6.14 Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for;

- temporary differences on the initial recognition of assets and liabilities in a transactions that is not a business combination and that affects neither accounting nor taxable profit or loss.
- temporary differences relating to investments in subsidiaries, to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the company and the group expects, at the end of the reporting period., to cover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax assets is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized, based on the level of future taxable profit forecasts and tax planning strategies.

3.6.15 Withholding tax on dividends (WHT)

- Withholding tax on dividends distributed by the subsidiaries and joint venture.

  Dividends received by the company out of taxable profit of the subsidiaries are subject to 10% deduction at source.

- Withholding tax on dividends distributed by the company.

Withholding tax that arises from the distribution of dividends by the company is recognised at the time the liability to pay the related dividend is recognised.

3.6.16 Value Added Tax (VAT)

The company and its subsidiaries are liable to pay Value Added Tax on taxable supplies at the specified rates.

3.6.17 Economic Service Charge (ESC)

The company and its subsidiaries are liable to pay Economic Service Charge at specified rates where applicable.

3.6.18 Nations Building Tax (NBT)

The company and its subsidiaries are liable to pay National Building Tax (NBT) at specified rates.

4. BASIC EARNINGS PER SHARE (EPS)

The financial statements present basic earnings per share (EPS) for its ordinary shareholders. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

5. RELATED PARTY TRANSACTIONS

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged.

6. OPERATING SEGMENTS

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with, any of the group's other segments. All operating segments' operating results are reviewed by Group CEO/ED to make decisions about resource allocation and performance assessment.

Segment results that are reported to the Group CEO/ED include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) & related revenue, loans & borrowings, related expenses, corporate and head office expenses and income tax assets & liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

Inter-segment pricing is determined on an arm's length basis.

The activities of the group are within Sri Lanka. Consequently, the economic environment in which the company operated is not subject to risk and rewards that are significantly different on a geographical basis. Hence, disclosure by geographical region is not provided.

7. CASH FLOW STATEMENT

The statement of cash flows has been prepared by using the "indirect method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard - LKAS 7 on 'Statement of cash flows'.

Cash and cash equivalents comprise of short- term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents as referred to in the statement of cash flows comprised of those items as explained in note 26.

The statements of cash flows are given on page 120.

8. NEW ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

Standards issued but not yet effective up to the date of issuance of the group's financial statements are listed on page 131. This listing of standards and interpretations issued, which the group reasonably expects to be applicable at a future date. The group intends to adopt those standards when they become effective.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
SLFRS 9 – Financial instruments	The objective of this SLFRS is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. An entity shall apply this SLFRS to all items within the scope of LKAS 39 financial instruments - recognition & measurement. The effective date of this standard has been deferred till 1 January 2018.	The group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 9.
SLFRS 15 – Revenue from contracts with customers	The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2017.	The group is assessing the potential impact on its consolidated financial statements resulting from the application of SLFRS 15.

The following new standard is not expected to have a significant impact on the group's consolidated financial statements – SLFRS 14 – Regulatory Deferral Accounts.

9 REVENUE

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
Brand new vehicles	7,300,756	6,905,696	5,221,725	3,063,231
Spare parts, repairs & services	2,016,533	2,212,366	2,052,190	2,271,392
Lubricants & car care products	483,957	364,375	484,324	364,787
Facilitation fee	47,193	161,084	47,193	161,084
Local charges on new vehicles	514,726	1,187,357	509,552	1,179,787
Tyres	174,963	209,792	-	-
Hiring	66	-	1,219	911
Tractors & accessories	-	124	-	-
	10,538,194	11,040,794	8,316,203	7,041,192

9.1 The detailed segmental review is given under note 43 to the financial statements.

9.2 Free service arrangements - The company and the group do not defer revenue component applicable to free service arrangements and recognised full revenue at the point of invoicing. The company/group generally provide three labour free services. According to past records, the cost of labour of such free services is immaterial and the company/group is of the view that this does not have a material impact on the results of these financial statements.

9.3 Warranty obligation - A standard warranty period/Kms is agreed with the principal for new vehicle sales. The cost incurred by the company in respect of replacements within the warranty period, is reimbursed by the principal provided that the claims are within the terms agreed with the principal from the date of imports. The company has no warranty liability in respect of past sales which can occur in future, as the cost is reimbursed by the principal other than in a situation where the company gives warranty period commencing from the date of sale which is beyond the warranty period given by the principal.

The company estimates this future liability on the extended warranty period is insignificant based on the past records. Therefore revenue has not been deferred.

10 OTHER INCOME

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
Rent income	1,479	1,872	20,828	13,451
Profit on disposal of property, plant & equipment	24,261	14,567	17,160	13,630
Award received from principal	6,892	3,297	6,892	3,297
Staff loan interest	749	828	749	828
Commission on insurance	3,688	5,217	3,688	5,217
Income on legal services	190	-	190	-
Valuation fee	68	74	68	74
Sundry income (note 10.1)	54,276	5,966	20,453	5,764
	91,603	31,821	70,028	42,261

10.1 Sundry income

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
Scrap sales	5,615	5,764	5,615	5,764
Write back of other payables	32,431	-	-	-
Miscellaneous	16,230	202	14,838	-
	54,276	5,966	20,453	5,764

11 OTHER EXPENSES

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
Losses on warranty claims	5,800	4,498	578	-
Provision for slow moving / obsolete inventories	(13,040)	36,375	(1,062)	28,875
Impairment losses and write offs on loans and receivables	6,717	8,515	1,928	882
	(523)	49,388	1,444	29,757

12 PROFIT FROM OPERATIONS

12.1 Operating profit is stated after charging all expenses including the following:

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
Depreciation on property, plant & equipment (note 17)	135,711	113,200	70,950	55,923
Depreciation on investment property (note 18)	-	-	514	513
Amortization of intangible assets (note 19)	1,810	3,147	1,551	2,886
Auditors' remuneration (note 12.1.1)	4,267	4,193	2,746	3,386
Tax compliance / consultancy charges	697	255	309	255
Directors' emoluments	102,335	81,554	79,730	66,397
Personnel cost (note 12.1.2)	687,615	624,812	601,694	537,003
Donations	133	430	133	430
Legal charges	1,964	2,417	1,289	2,143
Loss on striking off of UML Agencies & Distributors (Pvt) Ltd	-	-	81	-
Inventory written off during the year	-	659	-	-

12.1.1 Auditor's remuneration

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
Audit services	3,910	3,235	2,450	2,450
Audit related services	234	562	234	562
Non audit services	123	396	62	374
	4,267	4,193	2,746	3,386

12 PROFIT FROM OPERATIONS CONTD.

12.1.2 Personnel costs

	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Salaries and bonus	580,745	532,114	508,087	456,102
Contributions to defined contribution plan	60,940	53,882	51,945	45,518
Contributions to employee defined benefit plans (gratuity)	22,142	17,590	18,940	14,936
Others	23,788	21,226	22,722	20,447
	687,615	624,812	601,694	537,003
The average number of employees as at 31 March	776	736	636	609

13 FINANCE INCOME AND FINANCE COST

13.1 Recognised in profit or loss

	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Finance income				
Income from unimpaired financial assets:				
Interest on call deposits	3,236	36,858	2,528	31,831
Interest on amounts due from related parties	133	407	302	15,242
Income from unit trust investments	75,586	89,667	47,864	89,667
Foreign exchange gains	3,254	33,492	1,425	25,885
Net gains on disposal of available for sale financial assets	281,713	74,484	280,060	74,484
Dividend income from available for sale financial assets	22,849	52,544	22,790	52,544
Dividend income from investments in related companies	-	-	54,000	85,476
Dividend income from investments in Joint venture	-	-	5,198	1,685
Net change in fair value of unit trust investments	7,850	3,552	4,414	3,552
Total finance income	394,621	291,004	418,581	380,366
Finance cost				
Expenses on financial liabilities measured at amortized cost:				
Interest on bank borrowings	(80,498)	(42,301)	(31,172)	(15,890)
Interest on overdrafts	(298)	(1,716)	(269)	(778)
Foreign exchange losses	(1,566)	(22,775)	(1,566)	(22,774)
Total finance cost	(82,362)	(66,792)	(33,007)	(39,442)
Net finance income recognised in profit or loss	312,259	224,212	385,574	340,924

13.2 Recognised in other comprehensive income

	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Net change in fair value of available for sale financial assets	(63,531)	(2,686)	(62,313)	(2,686)
	(63,531)	(2,686)	(62,313)	(2,686)

14 INCOME TAX EXPENSES

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
Current tax expense (note 14.1)	349,745	559,466	339,920	494,064
Adjustments in respect of prior years	(40)	2,317	-	4,432
	349,705	561,783	339,920	498,496
Deferred tax expense				
Deferred tax asset recognised during the year (note 31.1)	12,842	3,839	9,378	2,797
Charge for deferred tax liability during the year (note 31.2)	1,002	1,002	-	-
	13,844	4,841	9,378	2,797
	363,549	566,624	349,298	501,293

14.1 Reconciliation between accounting profit to income tax expense:

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
Profit before income tax expense	1,625,881	2,174,345	1,586,165	1,984,058
Disallowable expenses	526,986	535,308	319,072	336,077
Exempt dividends and other non business income	(492,485)	(368,289)	(435,625)	(373,455)
Allowable expenses	(355,496)	(329,877)	(260,815)	(229,239)
Statutory income from business	1,304,886	2,011,487	1,208,797	1,717,441
Income from other sources	7,652	51,752	5,204	47,073
Total statutory income / assessable income	1,312,538	2,063,239	1,214,001	1,764,514
Tax losses	-	(7,465)	-	-
Taxable income	1,312,538	2,055,774	1,214,001	1,764,514
Standard tax rate	28%	28%	28%	28%
Concessionary tax rate	2%	2%		
Taxable income liable at standard rate	1,244,208	1,993,655	1,214,001	1,764,514
Taxable income liable at concessionary rate	68,330	62,119	-	-
Income tax at standard rate	348,378	558,223	339,920	494,064
Income tax at concessionary rate	1,367	1,243		-
Income tax for the year	349,745	559,466	339,920	494,064
Total tax for the year	349,745	559,466	339,920	494,064
Effective tax rate	22%	26%	21%	25%

14 INCOME TAX EXPENSES CONTD.

14.2 Income tax provisions

(a) In terms of the provisions of the Inland Revenue Act, No. 10 of 2006 and amendments thereto, the taxable profit of the company & subsidiaries are liable for income tax at 28% (2014-28%) except for the 'taxable profit' of UMPDL which is liable at 2% on turnover in accordance with an agreement entered in to with the Board of Investments of Sri Lanka under section 17 of the BOI Act No.4 of 1978 & will be liable at the said rate till the year 2022.

(b) The utilisation of tax losses brought forward is restricted to 35% of current year's statutory income. Unabsorbed tax losses can be carried forward indefinitely.

The tax losses carried forward by the group entities as at 31 March 2015 amounts to Rs. 198,183,560 (Rs. 107,844,210 in 2014)

(c) With effect from 1 April 2012, liability to Economic Service Charge (ESC) was restricted to companies with tax losses and exempt income. ESC paid is available as income tax credit for a period of four subsequent years. In instances where recoverability is not possible due to tax losses, sums paid are written off to the income statement.

(d) Deferred tax has been computed using a current tax rate of 28% (2014 - 28%) for the company & the group (note 31).

15 EARNINGS PER SHARE

Basic earnings per share

The company's and the group's earnings per share is computed on the net profit attributable to equity holders of the parent and the weighted average number of ordinary shares in issue during the year as required by LKAS 33 "Earnings per share"

	Group		Company	
	2015	2014 Restated	2015	2014
Amount used as numerator				
Profit attributable to equity holders of the parent (Rs.'000)	1,262,332	1,607,721	1,236,867	1,482,765
Amount used as denominator				
Weighted average number of ordinary shares ('000s)	100,901	100,901	100,901	100,901
Basic earnings per share (Rs.)	12.51	15.93	12.26	14.70

The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for sub division of shares that have changed the number of ordinary shares outstanding during the year.

16 DIVIDEND PER SHARE

	Company			
	2015		2014	
	Dividend Per share Rs.	Rs.'000	Dividend Per share Rs.	Rs.'000
Second interim dividend paid 2012/13	-	-	3	201,801
Final dividend paid 2012/13	-	-	4	269,068
First interim dividend paid 2013/14	-	-	3	201,801
Second interim dividend paid 2013/14	-	-	3	201,801
Final dividend paid 2013/14	6	403,603	-	-
First interim dividend paid 2014/15	2	201,801	-	-
Total dividend	8	605,404	13	874,471

As required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the company satisfies the solvency test in accordance with section 57 of the Companies Act No. 07 of 2007, and has obtained a certificate from the auditors, prior to declaring the dividend.

17 PROPERTY, PLANT & EQUIPMENT

17.1 Group

	Land	Building	Furniture & fittings	Office equipment	Electrical fixture & fittings	Machinery & tools	Motor vehicles free hold	Reference books	Computers	Total 2015	Total 2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000 Restated
Cost											
At the beginning of the year	2,290,195	315,385	38,615	34,911	60,480	162,641	263,110	107	118,838	3,284,282	2,503,864
Additions	3,649	64,017	1,198	7,851	7,235	14,091	84,031	-	7,072	189,144	799,902
Gain from revaluation of land [note 17.3(v)]	1,733,106	-	-	-	-	-	-	-	-	1,733,106	-
Disposals	-	-	(317)	(3,199)	-	(730)	(25,961)	-	(3,631)	(33,838)	(19,484)
At the end of the year	4,026,950	379,402	39,496	39,563	67,715	176,002	321,180	107	122,279	5,172,694	3,284,282
Accumulated depreciation											
At the beginning of the year	-	101,714	18,364	23,463	35,661	59,523	130,743	107	78,750	448,325	347,824
Charge for the year	-	26,104	5,594	4,860	9,661	15,469	60,979	-	13,044	135,711	113,200
Disposals	-	-	(309)	(2,927)	-	(442)	(24,897)	-	(3,591)	(32,166)	(12,699)
At the end of the year	-	127,818	23,649	25,396	45,322	74,550	166,825	107	88,203	551,870	448,325
Carrying amount as at 31 March	4,026,950	251,584	15,847	14,167	22,393	101,452	154,355	-	34,076	4,620,824	2,835,957
Capital work in progress as at 31 March (note 17.5)										10,627	62,065
Carrying amount as at 31 March										4,631,451	2,898,022

Details of land and building owned by the group are as follows:

Location / address	Building		Land					
	No. of building units	Sq. / Ft	Extent			Cost	Revaluation	Total Value
			Acre	Rood	Perch	Rs.'000	Rs.'000	Rs.'000
100 & 100A ,Hyde Park Corner, Colombo 02	9	80,322	1	3	0.54	76,791	2,081,094	2,157,885
143 & 145 Majeed Place, Orugodawatte	21	99,976	7	-	15.14	63,940	809,254	873,194
Vauxhall Street, Colombo 02	1	819	-	1	10.35	161,325	265,800	427,125
Meetotamulla, Orugodawatte	-	-	-	1	28.86	78,081	(4,997)	73,084
Maligawa Road, Ratmalana	12	6,639	9	3	36.50	443,140	35,810	478,950
Navatkuli, Jaffna	-	-	1	-	25.69	12,623	4,089	16,712
Total	43	187,756	20	2	37.08	835,900	3,191,050	4,026,950

17 PROPERTY, PLANT & EQUIPMENT CONTD.

17.2 Company

	Land	Building	Furniture & fittings	Office equipment	Electrical fixture & fittings	Machinery & tools	Motor vehicles free hold	Reference books	Computers	Total 2015	Total 2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost											
At the beginning of the year	2,142,835	220,000	34,447	22,750	60,396	135,637	95,291	107	109,348	2,820,811	2,142,216
Additions	3,649	64,017	1,156	6,681	7,235	13,560	84,305	-	6,214	186,817	691,377
Gain from revaluation of land [note 17.3(v)]	1,733,106	-	-	-	-	-	-	-	-	1,733,106	-
Disposals	-	-	-	(2,314)	-	(128)	(15,107)	-	(1,824)	(19,373)	(12,782)
At the end of the year	3,879,590	284,017	35,603	27,117	67,631	149,069	164,489	107	113,738	4,721,361	2,820,811
Accumulated depreciation											
At the beginning of the year	-	68,771	16,324	16,199	35,584	57,368	79,307	107	72,491	346,151	302,471
Charge for the year	-	23,317	4,679	3,103	9,661	10,487	8,460	-	11,243	70,950	55,923
Disposals	-	-	-	(2,154)	-	(128)	(14,122)	-	(1,824)	(18,228)	(12,243)
At the end of the year	-	92,088	21,003	17,148	45,245	67,727	73,645	107	81,910	398,873	346,151
Carrying amount as at 31 March	3,879,590	191,929	14,600	9,969	22,386	81,342	90,844	-	31,828	4,322,488	2,474,660
Capital work in progress as at 31 March (note 17.5)										10,627	62,065
Carrying amount as at 31 March										4,333,115	2,536,725

Details of land & building owned by the Company are as follows:

Location / address	Building		Land					
	No. of building units	Sq. / Ft	Extent			Cost	Revaluation	Total Value
			Acre	Rood	Perch	Rs.'000	Rs.'000	Rs.'000
100 & 100A ,Hyde Park Corner, Colombo 02	8	70,052	1	2	3.70	25,000	1,985,525	2,010,525
143 & 145 Majeed Place, Orugodawatte	21	99,976	7	-	15.14	63,940	809,254	873,194
Vauxhall Street, Colombo 02	1	819	-	1	10.35	161,325	265,800	427,125
Meetotamulla, Orugodawatte	-	-	-	1	28.86	78,081	(4,997)	73,084
Maligawa Road, Ratmalana	12	6,639	9	3	36.50	443,140	35,810	478,950
Navatkuli, Jaffna	-	-	1	-	25.69	12,623	4,089	16,712
Total	42	177,486	20	2	0.24	784,109	3,095,481	3,879,590

17.3 Revaluation

Company:

(i) In March 1993, the company's land costing Rs.93,335,951 was revalued by an independent Chartered valuer. The surplus arising out of such revaluation amounting Rs.49,000,000 was fully utilised for issue of bonus shares.

(ii) In December 1999, another revaluation has been carried out by an independent Chartered valuer to reflect the market value. The total surplus arising out of this revaluation amounting to Rs. 141,853,649 has been fully utilised for the issue of bonus shares during 2002/2003.

(iii) In March 2005, a third revaluation was carried out by an independent Chartered valuer to reflect market value of land. The total surplus arising out of such revaluation amounting to Rs. 398,820,000 has been credited to the capital reserve on revaluation of land.

(iv) In March 2010, a fourth revaluation was carried out by J M S Bandara, a qualified independent valuer as at 31 March 2010 to reflect market value of land. The resultant surplus of Rs 827,883,000 has been credited to the capital reserve on revaluation of land.

(v) In March 2015, a further revaluation was carried out by J M S Bandara, a qualified independent valuer as at 31 March 2015 to reflect market value of land. The resultant surplus of Rs 1,733,106,312 has been credited to the capital reserve on revaluation of land.

17.4 Measurement of fair value

Measurement of fair value of land has been categorised as level 3 of the fair value hierarchy based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of land, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Fair value of land is based on available property market data, available facilities & services, planning restrictions, title status, size/shape & other physical factors of the land.	The valuer has used a range of prices for each land based on investigated prices in order to determine the market value.	The estimated fair value would increase (decrease) if: Market value per perch was higher (lower)

17.5 Capital work in progress

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	62,065	-	62,065	-
Additions during the year	8,197	62,065	8,197	62,065
Write off of work-in-progress	(3,888)	-	(3,888)	-
Transferred to property, plant & equipment	(55,747)	-	(55,747)	-
At the end of the year	10,627	62,065	10,627	62,065

17 PROPERTY, PLANT & EQUIPMENT CONTD.

17.6 Fully depreciated assets

Cost of fully depreciated assets which are still in use as at reporting date is as follows:

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
Building	42,977	42,978	42,977	42,977
Furniture and fittings	14,080	12,614	12,937	11,235
Office equipment	13,057	14,082	12,252	13,048
Electrical fixture & fittings	26,174	24,186	26,174	24,186
Machinery & tools	38,563	38,397	35,923	35,757
Motor vehicles	143,629	95,719	69,071	70,237
Computers	59,764	56,829	57,804	54,392
Reference books	107	107	107	107
Total	338,351	284,912	257,245	251,939

17.7 No restrictions existed on the title of the property, plant and equipment of the group as at the reporting date.

17.8 There were no items of property, plant and equipment pledged as security for liabilities.

17.9 There were no compensation received/ receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

18 INVESTMENT PROPERTY

	Company	
	2015	2014
	Rs.'000	Rs.'000
Cost		
At the beginning of the year	152,495	152,495
At the end of the year	152,495	152,495
Accumulated depreciation		
At the beginning of the year	1,117	604
Charge for the year	514	513
At the end of the year	1,631	1,117
Net book value as at 31 March	150,864	151,378

The building held by UML Property Developments Limited is rented to the parent company, United Motors Lanka PLC. Hence it does not qualify as an investment property in the consolidated financial statements.

Details of investment property are as follows:

Location / address	Building			Land				Cost of the property
	No. of buildings	Sq. / Ft	Value Rs.'000	Extent Acre	Extent Rood	Extent Perch	Value Rs.'000	Rs.'000
100A ,Hyde Park Corner, Colombo 02	1	10,270	5,135	-	-	36.84	147,360	152,495

The company classified part of the land and building as investment property. UML has rented this property to its subsidiaries and affiliated company (Unimo Enterprises Ltd and TVS Automotives (Pvt) Ltd)

The company recognised investment property at cost and according to the valuation done by Mr J. M. S Bandara, qualified independent valuer as at 31 March 2015, fair value of this property is Rs.320 million.

Direct operating expenses incurred by the company that generated rental income amounted to Rs 232,750 (2014 – Rs 115,500). No operating expense was incurred that did not generate rental income.

19 INTANGIBLE ASSETS

	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
Goodwill (note 19.1)	2,890	2,890	-	-
Computer software (note 19.2)	2,798	4,608	2,472	4,023
	5,688	7,498	2,472	4,023

19.1 Goodwill

	Group 2015 Rs.'000	Group 2014 Rs.'000 Restated	Company 2015 Rs.'000	Company 2014 Rs.'000
At the beginning of the year	2,890	2,890	-	-
Impairment (note 19.1 a)	-	-	-	-
At the end of the year	2,890	2,890	-	-

19.1.(a) Impairment of goodwill

Goodwill represents the difference between the purchase consideration and the fair value of assets acquired as a result of the acquisition of balance 50% shares in Unimo Enterprise Ltd (formally known as Associated United Motors Limited) which was acquired on 3 October 2002.

No condition has arisen that results in an impairment of goodwill that requires a provision.

19 INTANGIBLE ASSETS CONTD.

19.2 Computer software

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
Cost				
At the beginning of the year	16,719	16,719	14,757	14,757
Additions	-	-	-	-
At the end of the year	16,719	16,719	14,757	14,757
Accumulated amortisation				
At the beginning of the year	12,111	8,964	10,734	7,848
Amortisation during the year	1,810	3,147	1,551	2,886
At the end of the year	13,921	12,111	12,285	10,734
Net book value	2,798	4,608	2,472	4,023

19.3 Cost of fully amortized computer software of the group amounts to Rs.7.8 million.

19.4 There were no restrictions existed on the title of the intangible assets of the group as at the reporting date. Further there were no items pledged as security for liabilities.

20 INVESTMENTS IN SUBSIDIARIES

	% Holding	Group 31.03.2015 Rs.'000	 31.03.2014 Rs.'000 Restated	Company 31.03.2015 Rs.'000	 31.03.2014 Rs.'000
Orient Motor Company Ltd	100	-	-	50,000	50,000
UML Property Developments Ltd	100	-	-	75,000	75,000
UML Agencies & Distributors (Pvt) Ltd (note 39)	-	-	-	-	1,000
Unimo Enterprises Ltd	100	-	-	47,400	47,400
		-	-	172,400	173,400

21 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

	% Holding	Group 31.03.2015 Rs.'000	 31.03.2014 Rs.'000 Restated	Company 31.03.2015 Rs.'000	 31.03.2014 Rs.'000
TVS Lanka (Pvt) Ltd	50	632,183	574,365	173,545	173,545
		632,183	574,365	173,545	173,545

As explained in note 3 (b), the group had adopted SLFRS 11 on Joint Arrangements with an initial application from 1 April 2014. The application of this standard replaced accounting for joint ventures on proportionate consolidation method with equity method of accounting. Accordingly, the interest in joint venture is now accounted using the equity method. Group has adopted this change in accounting policy retrospectively and restated the comparative periods to reflect the change from proportionate consolidation to equity method.

21.1 The following table illustrates the impact of change in accounting policy on joint venture of the group financial position and comprehensive income

	Impact of change in accounting policy 31.03.2014			Impact of change in accounting policy 01.04.2013		
	As previously reported Rs.'000	Group adjustment Rs.'000	As restated Rs.'000	As previously reported Rs.'000	Group adjustment Rs.'000	As restated Rs.'000
Assets						
Non-current assets						
Property, plant and equipment	2,947,358	(49,336)	2,898,022	2,211,284	(55,244)	2,156,040
Investment property	59,964	(59,964)	-	59,964	(59,964)	-
Intangible assets	22,489	(14,991)	7,498	26,252	(15,607)	10,645
Investments In equity accounted investees	-	574,365	574,365	-	552,544	552,544
Other investments	762,806	-	762,806	1,212,552	-	1,212,552
Defined benefit plan	112,162	(3,548)	108,614	100,025	(3,267)	96,758
Deferred tax assets	64,879	(24,669)	40,210	61,500	(17,451)	44,049
Total non current assets	3,969,658	421,857	4,391,515	3,671,577	401,011	4,072,588
Current assets						
Inventories	4,047,163	(723,523)	3,323,640	3,422,041	(800,907)	2,621,134
Trade and other receivables	1,880,664	(442,299)	1,438,365	1,616,911	(452,771)	1,164,140
Amounts due from related parties	19,694	(13,133)	6,561	21,188	(12,759)	8,429
Current tax receivables	5,403	-	5,403	-	-	-
Other investments	703,552	-	703,552	-	-	-
Cash and cash equivalents	238,629	(30,794)	207,835	1,373,403	(24,025)	1,349,378
Total current assets	6,895,105	(1,209,749)	5,685,356	6,433,543	(1,290,462)	5,143,081
Total assets	10,864,763	(787,892)	10,076,871	10,105,120	(889,451)	9,215,669
Equity and liabilities						
Equity						
Stated capital	336,335	-	336,335	336,335	-	336,335
Revaluation reserves	1,223,276	-	1,223,276	1,223,276	-	1,223,276
Revenue reserves	1,691,496	-	1,691,496	1,694,182	-	1,694,182
Retained earnings	4,846,070	-	4,846,070	4,116,834	-	4,116,834
Total equity attributable to the equity holders of the company	8,097,177	-	8,097,177	7,370,627	-	7,370,627
Non controlling interest	2,722	(2,722)	-	(4,880)	(4,880)	-
Total equity	8,099,899	(2,722)	8,097,177	7,375,507	(4,880)	7,370,627
Non-current liabilities						
Interest bearing borrowings	11,367	(11,367)	-	19,047	(19,047)	-
Employee benefits	170,702	(10,865)	159,837	149,099	(13,281)	135,818
Deferred tax liabilities	36,137	(22,108)	14,029	25,856	(12,829)	13,027
Total non-current liabilities	218,206	(44,340)	173,866	194,002	(45,157)	148,845
Current liabilities						
Interest bearing borrowings	1,154,225	(402,725)	751,500	933,802	(482,155)	451,647
Trade and other payables	1,075,265	(299,865)	775,400	1,060,996	(316,479)	744,517
Current tax liabilities	124,919	(5,498)	119,421	389,377	(3,808)	385,569
Bank overdrafts	192,249	(32,742)	159,507	151,436	(36,972)	114,464
Total current liabilities	2,546,658	(740,830)	1,805,828	2,535,611	(839,414)	1,696,197
Total liabilities	2,764,864	(785,170)	1,979,694	2,729,613	(884,571)	1,845,042
Total equity and liabilities	10,864,763	(787,892)	10,076,871	10,105,120	(889,451)	9,215,669

21 INVESTMENTS IN EQUITY ACCOUNTED INVESTEES CONTD.

Statements of profit or loss and other comprehensive income

	Impact of change in accounting policy 31.03.2014		
	As previously reported Rs.'000	Group adjustment Rs.'000	As restated Rs.'000
Revenue	13,890,397	(2,849,603)	11,040,794
Cost of sales	(10,086,758)	2,448,146	(7,638,612)
Gross profit	3,803,639	(401,457)	3,402,182
Other income	53,006	(21,185)	31,821
Distribution expenses	(409,030)	118,532	(290,498)
Administrative expenses	(1,385,595)	221,565	(1,164,030)
Other expenses	(54,146)	4,758	(49,388)
Profit from operations	2,007,874	(77,787)	1,930,087
Finance income	300,441	(9,437)	291,004
Finance cost	(128,044)	61,252	(66,792)
Net finance income	172,397	51,815	224,212
Share of profits of equity accounted investees	-	20,046	20,046
Profit before income tax expenses	2,180,271	(5,926)	2,174,345
Income tax expense	(574,983)	8,359	(566,624)
Profit for the year	1,605,288	2,433	1,607,721
Net change in fair value of available for sale financial assets	(2,686)	-	(2,686)
Employee benefit plan actuarial losses	(3,739)	(3,517)	(7,256)
Equity accounted investees - share of OCI	-	3,242	3,242
Total other comprehensive income / (loss) for the year	(6,425)	(275)	(6,700)
Total comprehensive income for the year	1,598,863	2,158	1,601,021

Statement of cash flows

	Impact of change in accounting policy 31.03.2014		
	As previously reported Rs.'000	Group adjustment Rs.'000	As restated Rs.'000
Net cash from operating activities	345,340	(107,042)	238,298
Others	(1,520,927)	96,043	(1,424,884)
Net decrease in cash and cash equivalents	(1,175,587)	(10,999)	(1,186,586)

21.2 Summary of financial information of equity accounted investees

As at	31.03.2015 Rs.'000	31.03.2014 Rs.'000	01.04.2013 Rs.'000
Current assets	3,729,011	2,426,062	2,589,295
Non current assets	224,428	245,400	263,456
Current liabilities	(2,678,058)	(1,488,240)	(1,687,203)
Non current liabilities	(34,736)	(54,936)	(77,478)
Net assets (100%)	1,240,645	1,128,286	1,088,070
Group's share of net assets (50%)	620,323	564,143	544,035
Elimination of unrealised profit on downstream sales	(685)	(2,324)	(4,036)
Goodwill	12,545	12,545	12,545
Carrying amount of interest in equity accounted investees	632,183	574,364	552,544
Cash and cash equivalents included in current assets	45,256	61,588	48,049
Current financial liabilities included in current liabilities	1,622,559	872,135	1,038,255
Non current financial liabilities included in non current liabilities	8,011	22,735	38,094
Revenue	8,356,499	5,702,788	5,675,530
Profit or loss from continuing operations	123,657	37,232	9,700
Other comprehensive income	252	6,484	1,562
Profit & other comprehensive income (100%)	123,909	43,716	11,262
Profit & other comprehensive income (50%)	61,955	21,858	5,631
Elimination of unrealised profit	1,593	1,430	1,386
Group's share of profit and total comprehensive income	63,548	23,288	7,017
Depreciation and amortisation	(37,421)	(38,259)	(33,569)
Interest income	17,691	19,686	-
Interest expense	(86,290)	(123,321)	(137,103)
Income tax expense	(79,344)	(16,717)	(32,424)

21.3 Disposal of TVS Auto Parts (Pvt) Ltd

TVS Lanka (Pvt) Ltd (a joint venture between United Motors Lanka PLC, TVS & Sons Limited and TVS Motor Company of India) sold its entire shareholding of 1.3 million shares in its subsidiary TVS Auto Parts (Pvt) Ltd to Douglas & Sons (Pvt) Ltd for Rs. 65,000.00 on 9 October 2014. The relevant adjustments arising as a result of this transaction has been incorporated in these consolidated financial statements.

22 OTHER INVESTMENTS

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Non-current investments				
Available for sale financial assets (note 22.1)	396,207	631,860	367,815	631,860
Increase / (decrease) in market value	67,415	130,946	68,633	130,946
	463,622	762,806	436,448	762,806
Current investments				
Fair value through profit and loss (note 22.2)	1,402,850	703,552	924,414	503,552
	1,402,850	703,552	924,414	503,552

22 OTHER INVESTMENTS

22.1 Available for sale financial assets

	Group					
	31.03.2015			31.03.2014		
	No. of Shares	Cost Rs.'000	Market Value Rs.'000	No. of Shares	Cost Rs.'000	Market Value Rs.'000
Equity shares						
DFCC Bank PLC	-	-	-	442,150	53,028	63,625
Sampath Bank PLC	99,060	23,261	24,973	120,833	20,795	22,004
National Development Bank PLC	650,000	74,092	161,200	2,000,000	227,994	357,200
Commercial Bank of Ceylon PLC-Voting	220,030	24,402	36,393	1,250,844	129,581	153,854
Commercial Bank of Ceylon PLC-Non voting	3,160	420	415	-	-	-
John Keells Holdings PLC	649,871	137,380	129,585	60,000	11,266	13,620
Aitken Spence Holdings PLC	329,545	38,423	32,790	236,901	28,958	23,193
Nations Trust Bank PLC	3,500	347	350	391,846	25,206	25,431
Diesel & Motor Engineering PLC	111,640	91,654	70,333	111,640	91,654	56,378
Hatton National Bank PLC - Voting	2,698	517	599			
Hatton National Bank PLC - Non voting	27,373	3,883	4,517	150,000	16,800	18,000
Textured Jersey Lanka PLC	-	-	-	263,768	3,594	4,167
Distilleries Company of Sri Lanka PLC	-	-	-	100,000	18,861	20,300
Laugfs Gas PLC	68,750	1,828	2,467	154,933	4,123	5,034
		396,207	463,622		631,860	762,806

	Company					
	31.03.2015			31.03.2014		
	No. of Shares	Cost Rs.'000	Market Value Rs.'000	No. of Shares	Cost Rs.'000	Market Value Rs.'000
DFCC Bank PLC	-	-	-	442,150	53,028	63,625
Sampath Bank PLC	82,488	19,419	20,795	120,833	20,795	22,004
National Development Bank PLC	650,000	74,092	161,200	2,000,000	227,994	357,200
Commercial Bank of Ceylon PLC-Voting	205,000	21,954	33,907	1,250,844	129,581	153,854
Commercial Bank of Ceylon PLC-Non voting	3,160	420	415	-	-	-
John Keells Holdings PLC	552,987	116,398	110,266	60,000	11,266	13,620
Aitken Spence Holdings PLC	323,596	37,820	32,198	236,901	28,958	23,193
Nations Trust Bank PLC	3,500	347	350	391,846	25,206	25,431
Diesel & Motor Engineering PLC	111,640	91,654	70,333	111,640	91,654	56,378
Hatton National Bank PLC - Non voting	27,373	3,883	4,517	150,000	16,800	18,000
Textured Jersey Lanka PLC	-	-	-	263,768	3,594	4,167
Distilleries Company of Sri Lanka PLC	-	-	-	100,000	18,861	20,300
Laugfs Gas PLC	68,750	1,828	2,467	154,933	4,123	5,034
		367,815	436,448		631,860	762,806

22.2 Investments valued at fair value through profit or loss

	Group					
	31.03.2015			31.03.2014		
	No of Units in '000	Cost of Investment Rs.'000	Market Value Rs.'000	No of Units in '000	Cost of Investment Rs.'000	Market Value Rs.'000
Investment in unit trusts	100,730	1,395,000	1,402,850	55,521	700,000	703,552
	100,730	1,395,000	1,402,850	55,521	700,000	703,552

	Company					
	31.03.2015			31.03.2014		
	No of Units in '000	Cost of Investment Rs.'000	Market Value Rs.'000	No of Units in '000	Cost of Investment Rs.'000	Market Value Rs.'000
Investment in unit trusts	68,149	920,000	924,414	40,229	500,000	503,552
	68,149	920,000	924,414	40,229	500,000	503,552

23 INVENTORIES

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Spare parts	534,850	540,998	514,033	517,557
Vehicles	2,660,058	2,478,187	1,797,466	1,368,604
Lubricants	161,097	145,336	161,097	145,336
Tyres	63,962	64,436	-	-
Others	32,078	25,850	32,078	25,850
	3,452,045	3,254,807	2,504,674	2,057,347
Less: Provision for slow moving inventories (note 23.1)	(131,690)	(144,730)	(122,640)	(123,702)
	3,320,355	3,110,077	2,382,034	1,933,645
Work-in-progress	22,810	20,480	22,810	20,480
Goods in transit (note 23.2)	590,947	193,083	590,375	186,328
	3,934,112	3,323,640	2,995,219	2,140,453

23.1 Provision for slow moving inventories

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	(144,730)	(109,014)	(123,702)	(94,827)
(Provision) / Reversal during the year	13,040	(36,375)	1,062	(28,875)
Inventory write off	-	659	-	-
At the end of the year	(131,690)	(144,730)	(122,640)	(123,702)

23 INVENTORIES CONTD.

23.2 Goods in transit

	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000 Restated	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Vehicles	517,802	102,017	517,230	100,605
Spare parts	73,145	91,066	73,145	85,723
	590,947	193,083	590,375	186,328

23.3 Inventories & trade receivables pledged as security for liabilities of group entities are as follows.

Company	Bank	Facility	Limit Rs.'000	Loan outstanding Rs.'000
Orient Motor Company Ltd	National Development Bank PLC	Overdraft, short term loan, letter of credit	100,000	-
	Standard Chartered Bank	Overdraft, short term loan, letter of credit	210,000	93,800
Unimo Enterprises Ltd	DFCC Vardhana Bank PLC	Overdraft, import loan, letter of credit, bank guarantees	100,000	-
	Sampath Bank PLC	Overdraft, import loan, letter of credit, bank guarantees	365,000	64,462
	National Development Bank PLC	Overdraft, import loan, letter of credit, bank guarantees	305,000	-
	Commercial Bank of Ceylon PLC	Overdraft, import loan, letter of credit, bank guarantees	175,000	65,721
	Standard Chartered Bank	Overdraft, import loan, letter of credit, bank guarantees	350,000	29,280
TVS Lanka (Pvt) Ltd	DFCC Vardhana Bank PLC	Import loan	650,000	610,660
	Sampath Bank PLC	Import loan	400,000	339,064
	National Development Bank PLC	Import loan	200,000	-
	Commercial Bank of Ceylon PLC	Import loan	300,000	171,193
	Standard Chartered Bank	Import loan	215,000	-
	Hatton National Bank PLC	Import loan	500,000	276,634
TVS Automotives (Pvt) Ltd	Hatton National Bank PLC	Short term loan	190,000	129,001
	Commercial Bank of Ceylon PLC	Short term loan	40,000	-
	DFCC Vardhana Bank PLC	Short term loan	80,000	40,447

24 TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Trade receivables	895,578	728,900	724,753	441,928
Impairment allowance	(29,607)	(38,921)	(12,373)	(12,650)
	865,971	689,979	712,380	429,278
Other receivables (note 24.2)	271,925	257,605	35,280	52,759
Loans to employees	8,627	9,898	8,627	9,898
Deposits & pre-payments	93,098	77,314	63,746	56,058
Facilitation fee receivable	5,521	-	5,521	-
Advances paid	454,105	403,569	454,105	403,569
Total trade and other receivables	1,699,247	1,438,365	1,279,659	951,562

24.1 The group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in note 36.

24.2 Other receivables

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Other receivables	301,580	268,545	36,999	59,072
Impairment of other receivables	(29,655)	(10,940)	(1,719)	(6,313)
	271,925	257,605	35,280	52,759

24.3 Loans to employees

Total loans disbursed to employees amounts to Rs.7.8 million, out of which the movement of loans disbursed to employees which has exceeded Rs. 20,000/- are disclosed as follows:

	Group		Company	
	Non executives 2015 Rs.'000	Executives 2015 Rs.'000	Non executives 2015 Rs.'000	Executives 2015 Rs.'000
Balance brought forward at the beginning of the year (no of employees - 137)	6,748	-	6,748	-
Loans disbursed during the year	7,811	-	7,811	-
Recovered during the year	(6,503)	-	(6,503)	-
Balance carried forward at the end of the year (no of employees -158)	8,056	-	8,056	-

No loans have been granted to the Directors of the company.

24.4 Trade receivables pledged as security for liabilities are given in note 23.3.

25 AMOUNTS DUE FROM RELATED PARTIES

	Relationship	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000 Restated	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Orient Motor Company Ltd	Subsidiary	-	-	5,856	6,833
Unimo Enterprises Ltd	Subsidiary	-	-	8,236	11,490
TVS Lanka (Pvt) Ltd	Equity accounted investees	708	458	708	449
TVS Automotives (Pvt) Ltd	Affiliate	417	6,103	393	6,096
		1,125	6,561	15,193	24,868

26 CASH & CASH EQUIVALENTS

	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000 Restated	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Favourable balances				
Call deposits	16,988	57,206	16,988	37,206
Cash at bank	138,208	63,491	101,110	43,733
Cash In hand	61,347	87,138	59,578	81,351
	216,543	207,835	177,676	162,290
Unfavourable balances				
Bank overdrafts used for cash management purposes	(113,364)	(159,507)	(111,194)	(141,401)
Net cash and cash equivalent for the purpose of cash flow statements	103,179	48,328	66,482	20,889

Overdraft facilities of the company are unsecured. Refer note 37.2 for details of corporate guarantees given to related companies.

The group's exposure to interest rate risk is disclosed in note 36.

27 STATED CAPITAL

	No. of Shares	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
At the beginning of the year	67,267,084	336,335	336,335	336,335	336,335
Increase in number of shares due to share sub-division (1 share for 2 ordinary shares held)	33,633,542	-	-	-	-
At the end of the year	100,900,626	336,335	336,335	336,335	336,335

On the 19 August 2014, the company increased its number of shares by sub-dividing two existing issued and fully paid ordinary shares into three ordinary shares without affecting any increase to the company's stated capital. Consequent to the sub-division of shares, the number of shares increased to 100,900,626 from 67,267,084 shares.

28 CAPITAL RESERVES

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
Surplus on revaluation of property, plant & equipment				
At the beginning of the year	1,223,276	1,223,276	1,189,230	1,189,230
Revaluation of land	1,733,106	-	1,733,106	-
At the end of the year	2,956,382	1,223,276	2,922,336	1,189,230

29 INTEREST BEARING BORROWINGS

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
At the beginning of the year	750,900	451,647	100,100	-
Obtained during the year	10,381,453	8,885,662	6,218,263	4,121,988
	11,132,353	9,337,309	6,318,363	4,121,988
Payments made during the year	(10,030,553)	(8,586,409)	(5,856,663)	(4,021,888)
Loan outstanding as at 31 March	1,101,800	750,900	461,700	100,100
Accrued loan Interest	3,427	600	1,085	600
At the end of the year	1,105,227	751,500	462,785	100,700
Non current	-	-	-	-
Current	1,105,227	751,500	462,785	100,700
Total	1,105,227	751,500	462,785	100,700

29.1 Loans & borrowings

(a) Details of group's interest bearing loans and borrowings, which are measured at amortised cost are given below.

	Group		Company	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
Current liabilities				
Short term loans	1,105,227	751,500	462,785	100,700
	1,105,227	751,500	462,785	100,700

(b) Loans and borrowings which are secured through corporate guarantees given by the parent company, United Motors Lanka PLC, in favour of its subsidiaries and a related company are described in note 37.2 to these consolidated financial statements.

29 INTEREST BEARING BORROWINGS

(c) Terms & debt repayment schedule

Terms & conditions of the outstanding loans were as follows:

			Group			
			31.03.2015		31.03.2014	
	Effective interest rate	Year of Maturity	Face value Rs.'000	Carrying value Rs.'000	Restated Face value Rs.'000	Restated Carrying value Rs.'000
Short term loans - Secured	Market rate	2015	542,442	542,442	650,800	650,800
Short term loans - Unsecured	Money market rate	2015	562,785	562,785	100,700	100,700
			1,105,227	1,105,227	751,500	751,500

			Company			
			31.03.2015		31.03.2014	
	Effective interest rate	Year of Maturity	Face value Rs.'000	Carrying value Rs.'000	Restated Face value Rs.'000	Restated Carrying value Rs.'000
Short term loans - Unsecured	Money market rate	2015	462,785	462,785	100,700	100,700
			462,785	462,785	100,700	100,700

30 EMPLOYEE BENEFITS

30.1 Retirement benefit obligations

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Present value of unfunded obligations	2,085	1,543	-	-
Present value of funded obligations	164,258	158,294	152,919	150,121
Retirement benefit obligation (note 30.5)	166,343	159,837	152,919	150,121

30.2 Defined benefit plan

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Employees joined before 1992 / 93				
Mutual fund (note 30.3)	1,079	1,071	1,079	1,071
Employees joined after 1992 / 93				
Defined benefit plan (note 30.4)	110,007	107,543	106,378	105,983
	111,086	108,614	107,457	107,054

30.3 Retiring gratuity is a defined benefit plan covering employees of the company. The company's liability arising on retirement benefits of employees joined prior to 1992/93 is partly externally funded through investments in NDB Mutual Funds and the value of this fund as at 31 March 2015 is Rs.1,078,913 (2013/14 - Rs. 1,070,946).

The gratuity liability of employees joined after 1992/93, is externally funded and an agreement has been entered in to with AIA Insurance PLC and covers 651 employees of the company as at 31 March 2015.

An actuarial valuation has been carried out by Mr M. Poopalanathan, AIA, of Messrs Actuarial and Management Consultants (Pvt) Limited. The valuation method used by the actuary is the "Projected Unit Credit Method", the method recommended by LKAS 19 - Employee Benefits.

30.4 Movement in fair value of defined benefit plan

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
At the beginning of the year	107,543	95,477	105,983	95,476
Expected return on plan	11,273	10,025	11,128	10,025
Contribution paid into the plan	1,954	12,299	-	10,832
Benefits paid by the plan	(10,948)	(5,334)	(10,828)	(5,334)
Benefits payable by the plan	(3,007)	(536)	(3,007)	(536)
Actuarial gains / (losses) in other comprehensive income	3,192	(4,388)	3,102	(4,480)
Fair value of the defined benefit plan at the end of the year	110,007	107,543	106,378	105,983

30.5 Movement in the present value of the defined benefit obligations

	Group		Company	
	2015	2014	2015	2014
	Rs.'000	Rs.'000 Restated	Rs.'000	Rs.'000
At the beginning of the year	159,837	135,818	150,121	127,669
Expenses recognised in profit & loss (note 30.6)	33,682	27,072	30,336	24,417
Actuarial (gains) / losses in other comprehensive income (note 30.6)	(11,908)	2,868	(13,443)	3,905
Benefits paid during the year	(15,268)	(5,921)	(14,095)	(5,870)
Defined benefit obligation at the end of the year	166,343	159,837	152,919	150,121

30 EMPLOYEE BENEFITS

30.6 Expenses recognised in statement of profit or loss and comprehensive income

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
Recognised in profit or loss				
Defined benefit obligations				
Current service costs	16,899	15,972	14,573	14,173
Interest on obligation	16,783	13,961	15,763	13,105
Adjustment in respect of provision	-	(2,861)	-	(2,861)
	33,682	27,072	30,336	24,417
Defined benefit plan				
Expected return on plan asset	11,273	10,025	11,128	10,025
	11,273	10,025	11,128	10,025
Recognised in other comprehensive income				
Defined benefit obligations				
Actuarial gains / (losses) recognised during the year	11,908	(2,868)	13,443	(3,905)
	11,908	(2,868)	13,443	(3,905)
Defined benefit plan				
Actuarial gains / (losses) recognised during the year	3,192	(4,388)	3,102	(4,480)
	3,192	(4,388)	3,102	(4,480)
	15,100	(7,256)	16,545	(8,385)

30.7 Actuarial assumptions

Principle actuarial assumptions are as follows:

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Rate of discount as at 31 March	9.0%	10.5%	9.0%	10.5%
Future salary increases	10%	10 - 13%	10%	13%
Retirement age	55 or 60	55 or 60	55 or 60	55 or 60
Staff turnover rate	5%	5%	5%	5%

Assumptions regarding future mortality are based on A67 / 70 Mortality table, issued by the institute of Actuaries, London, United Kingdom.

30.8 Sensitivity analysis

Values appearing as defined benefit obligation in the financial statements is sensitive to the changes in financial and non - financial assumptions used. A sensitivity analysis was carried out as follows:

	Group		Company	
	+ 1%	- 1%	+ 1%	- 1%
A percentage point change in the discount rate				
Effect on the present value of defined benefit obligation (Rs.'000)	(9,317)	10,499	(8,098)	9,087
A percentage point change in the salary escalation rate				
Effect on the present value of defined benefit obligation (Rs.'000)	10,782	(9,717)	9,336	(8,447)

31 DEFERRED TAX ASSETS / LIABILITIES

31.1 Deferred tax assets

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	40,210	44,049	25,546	28,343
Origination and reversal of timing differences - recognised in profit or loss	(12,842)	(3,839)	(9,378)	(2,797)
Origination and reversal of timing differences - recognised in other comprehensive income	(3,335)	-	(3,764)	-
At the end of the year	24,033	40,210	12,404	25,546
Composition of deferred tax assets				
Property, plant & equipment	(31,941)	(18,468)	(29,721)	(15,361)
Retirement benefit obligation	46,575	44,755	42,817	42,033
Provisions	10,091	15,049	-	-
Intangible assets	(692)	(1,126)	(692)	(1,126)
Net deferred tax assets	24,033	40,210	12,404	25,546

Deferred tax asset on tax losses of Orient Motor Company Ltd has not been recognised. Unused tax loss and unrecognised deferred tax asset as at the reporting date is Rs. 198,183,560 and Rs. 55,491,396 respectively.

31.2 Deferred tax liabilities

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	14,029	13,027	-	-
Origination and reversal of timing differences - recognised in profit or loss	1,002	1,002	-	-
At the end of the year	15,031	14,029	-	-
Composition of deferred tax liability				
Property plant & equipment	15,031	14,029	-	-
Net deferred tax liability	15,031	14,029	-	-

32 TRADE & OTHER PAYABLES

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Trade payables	764,790	216,993	536,824	110,185
Taxes payable	33,725	42,813	26,200	5,661
Dividend payable	48,043	55,591	48,043	55,591
Advance received from customers	52,428	99,300	45,420	49,551
Other payable (note 32.1)	313,887	360,703	266,697	221,495
	1,212,873	775,400	923,184	442,483

32.1 Other payable

	Group		Company	
	31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
Accrued charges	286,582	350,653	242,057	214,177
Others	27,305	10,050	24,640	7,318
	313,887	360,703	266,697	221,495

33 AMOUNTS DUE TO RELATED PARTIES

		Company	
		31.03.2015 Rs.'000	31.03.2014 Rs.'000
Orient Motor Company Ltd	Subsidiary	-	276
Unimo Enterprises Ltd	Subsidiary	22,697	81,274
UML Property Developments Ltd	Subsidiary	45,017	36,270
		67,714	117,820

34 CURRENT TAXATION

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	114,018	385,569	117,143	345,819
Income tax on current year profits (note 14)	349,745	559,466	339,920	494,064
	463,763	945,035	457,063	839,883
Under / (over) provision in respect of prior periods (note 14)	(40)	2,317	-	4,432
Income tax paid	(390,192)	(833,334)	(356,564)	(727,172)
At the end of the year	73,531	114,018	100,499	117,143

The income tax liability comprise of:

		Group		Company	
		31.03.2015 Rs.'000	31.03.2014 Rs.'000 Restated	31.03.2015 Rs.'000	31.03.2014 Rs.'000
34.1	Current tax liabilities	100,775	119,421	100,499	117,143
34.2	Current tax receivable	(27,244)	(5,403)	-	-
		73,531	114,018	100,499	117,143

35 CAPITAL COMMITMENTS

There are no material capital commitments as at the reporting date.

36 FINANCIAL INSTRUMENTS

Overview of financial risk management

The group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for identifying, analysing, evaluating and monitoring the risk and the management of capital of the group. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk profile and controls, and to monitor risks and mitigate. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The Group Audit Committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

36.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under financial instrument or customer contract, leading to a financial loss.

The group is exposed to credit risk from its operating activities (primarily from trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The company and the group does an extensive and continuous evaluation of credit worthiness of its customers / financial institutions by assessing external credit ratings (if available) or historical information about default rates and change the credit limits and payment terms if necessary.

36 FINANCIAL INSTRUMENTS

36.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000 Restated	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Carrying amount					
Available for sale financial assets - equity shares	22	463,622	762,806	436,448	762,806
Fair value through profit and loss - unit trust	22	1,402,850	703,552	924,414	503,552
Trade and other receivables	24	1,699,247	1,438,365	1,279,659	951,562
Amount due from related parties	25	1,125	6,561	15,193	24,868
Cash at bank		155,196	120,697	118,098	80,939
		3,722,040	3,031,981	2,773,812	2,323,727

36.1.2 Trade receivables

The management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors. Sources of credit risks are identified, assessed and monitored and the company has policies to manage the risks with in various subcategories. The utilization of credit limits is regularly monitored.

Maximum exposure to credit risk for trade receivables at the reporting date by category wise are as follows:

	Group 31.03.2015 Rs.'000	Group 31.03.2014 Rs.'000 Restated	Company 31.03.2015 Rs.'000	Company 31.03.2014 Rs.'000
Public Sector	438,030	169,433	438,030	169,433
Private Sector				
Individual customers	81	6,536	81	6,536
Corporate customers	47,286	74,478	47,286	74,478
Dealers & distributors	163,917	177,759	104,395	98,186
Leasing companies	216,657	261,773	122,588	80,645
	865,971	689,979	712,380	429,278

36.1.3 Impairment losses

(a) Details of the impairment of trade receivables are given below.

	Group 31.03.2015 Gross Rs.'000	Group 31.03.2015 Impairment Rs.'000	Group 31.03.2014 Gross Rs.'000 Restated	Group 31.03.2014 Impairment Rs.'000 Restated
Individual impairment				
Not past due	613,400	-	476,927	-
Past due	20,062	11,502	18,579	16,002
Collective Impairment				
Not past due	218,228	1,108	201,222	774
Past due	43,888	16,997	32,172	22,145
	895,578	29,607	728,900	38,921

	Company			
	31.03.2015		31.03.2014	
	Gross Rs.'000	Impairment Rs.'000	Gross Rs.'000	Impairment Rs.'000
Individual Impairment				
Not past due	515,639	-	295,161	-
Past due	18,169	9,609	12,716	10,140
Collective Impairment				
Not past due	176,053	188	126,214	177
Past due	14,892	2,576	7,837	2,333
	724,753	12,373	441,928	12,650

(b) The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
At the beginning of the year	38,921	41,545	12,650	16,942
Impairment loss (reversed)/recognised	(9,314)	(2,624)	(277)	(4,292)
At the end of the year	29,607	38,921	12,373	12,650

(c) Impairment loss of Rs 11.5 million of the group relates to individually significant customers and impairment test indicated that they are not expected to be able to pay their outstanding balances, mainly due to economic circumstances. Hence the receivable balances are identified as impaired as at 31 March 2015.

Except for the above, balance receivables are impaired collectively based on the collection pattern and historical default rate.

(d) The group believes that no impairment is necessary for 'Available for sale financial assets' as the value changes are not permanent and significant.

(e) When the group ascertains that no recovery of the amount owing is possible, at this point the amounts are considered irrecoverable and are written off against the financial asset directly.

Credit risk relating to cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions which are rated above 'BBB-(lka).

36.2 Liquidity risk

Liquidity risk is the risk that the group may not have sufficient liquid financial resources to meet its obligations when they fall due. The company manages the liquidity risk by carrying out cash flow forecasts and identifying future cash needs. Investments are planned ensuring money is available for settlements. Adequate banking facilities are approved and kept for use as and when necessary.

At the reporting date, the group held unit trust investments of Rs 1,403 million and other liquid assets of Rs. 217 million that are expected to readily generate cash inflows if needed to manage liquidity risk.

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The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

31 March 2015- Group	Carrying amount Rs.'000	Contractual Cash flows Rs.'000	Less than 6 months Rs.'000	6- 12 months Rs.'000	1-2 years Rs.'000	2-5 years Rs.'000	More than 5 years Rs.'000
Non- derivative financial liabilities							
Short term loans	1,105,227	1,105,227	1,105,227	-	-	-	-
Trade and other payables	1,212,873	1,212,873	1,168,314	44,559	-	-	-
Bank overdrafts	113,364	113,364	113,364	-	-	-	-
	2,431,464	2,431,464	2,386,905	44,559	-	-	-

31 March 2014- Group	Carrying amount Rs.'000 Restated	Contractual Cash flows Rs.'000 Restated	Less than 6 months Rs.'000 Restated	6- 12 months Rs.'000 Restated	1-2 years Rs.'000	2-5 years Rs.'000	More than 5 years Rs.'000
Non- derivative financial liabilities							
Short term loans	751,500	751,500	751,500	-	-	-	-
Trade & other payables	775,400	775,400	772,813	2,587	-	-	-
Bank overdrafts	159,507	159,507	159,507	-	-	-	-
	1,686,407	1,686,407	1,683,820	2,587	-	-	-

31 March 2015- Company	Carrying amount Rs.'000	Contractual Cash flows Rs.'000	Less than 6 months Rs.'000	6- 12 months Rs.'000	1-2 years Rs.'000	2-5 years Rs.'000	More than 5 years Rs.'000
Non- derivative financial liabilities							
Short term loans	462,785	462,785	462,785	-	-	-	-
Trade and other payables	923,184	923,184	923,184	-	-	-	-
Amounts due to related parties	67,714	67,714	67,714	-	-	-	-
Bank overdrafts	111,194	111,194	111,194	-	-	-	-
	1,564,877	1,564,877	1,564,877	-	-	-	-

31 March 2014- Company	Carrying amount Rs.'000	Contractual Cash flows Rs.'000	Less than 6 months Rs.'000	6- 12 months Rs.'000	1-2 years Rs.'000	2-5 years Rs.'000	More than 5 years Rs.'000
Non- derivative financial liabilities							
Short term loans	100,700	100,700	100,700	-	-	-	-
Trade & other payables	442,483	442,483	442,483	-	-	-	-
Amounts due to related parties	117,820	117,820	117,820	-	-	-	-
Bank overdrafts	141,401	141,401	141,401	-	-	-	-
	802,404	802,404	802,404	-	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

36.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks;

- Foreign exchange risk
- Interest rate risk
- Equity price risk

(a) Foreign exchange risk

Foreign currency risk arises when future commercial transactions are denominated in a currency that is not the entity's functional currency. The group is principally exposed to fluctuations in the value of the Japanese Yen and US dollar against the Sri Lankan Rupee (LKR). The group's functional currency is LKR in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes.

Changes in foreign currency exchange rates affect the group's cost of purchases. Based on anticipated exchange rate movements forward booking is considered as a method to minimise risk. Early bill settlements and delayed bill settlements are also used to minimise adverse impact from exchange rate movement.

The exposure to currency risk as at the reporting date are as follows:

	Group		Company	
	USD	JPY	USD	JPY
Trade & other receivables as at 31 March 2015	200	5,190	112	5,190
Trade payables as at 31 March 2015	1,560	426,598	168	426,598

Sensitivity analysis

The following table demonstrates the sensitivity of group profits to a reasonable possible change in the US Dollar and Japanese Yen exchange rate with all other variables held constant.
The impact on the profit before tax due to change in the fair value of monetary assets and liabilities denominated in foreign currency as at 31 March 2015 are as follows;

	Increase/ decrease in exchange rate	Group Effect on profit before tax Rs.'000	Company Effect on profit before tax Rs.'000
USD	+ 5 %	(9,194)	(395)
	- 5%	9,194	395
JPY	+ 5 %	(23,781)	(23,781)
	- 5%	23,781	23,781

(b) Interest rate risk

The group's interest rate risk arises mainly from the short term borrowings and investment of excess funds in financial instruments. Borrowings at variable rates expose the group to cash flow interest rate risk which is partially offset by cash/ investments held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The company has cash and bank balances including deposits placed with government and reputed financial institutions. All available opportunities are considered before making investment decisions.

The company monitors interest rate risk by actively monitoring the yield curve trends and interest rate movements.

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At the end of the reporting period the interest rate profile of the Group's interest bearing financial instruments are as follows:

	Group 2015 Rs.'000	Company 2015 Rs.'000
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(1,105,227)	(462,785)
	(1,105,227)	(462,785)
Variable rate instruments		
Financial assets	1,402,850	924,414
Financial liabilities	(113,364)	(111,194)
	1,289,486	813,220

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in variable interest, with all other variables held constant.

	Increase/ decrease in variable rates	Group Effect on profit before tax Rs.'000	Company Effect on profit before tax Rs.'000
31 March 2015 Variable rate instruments	+5%	70,142	46,221
	-5%	(70,142)	(46,221)

(c) Equity price risk

Listed equity securities are susceptible to equity price risk arising from uncertainties of future values of the investment securities. The company manages the equity price risk through diversification of its portfolio to different business segments.

The company's equity risk management policies adopted by the Investment Committee are as follows;

- Equity investment decisions are based on fundamentals rather than on speculation.
- Decisions are made based on in-depth industry and macroeconomic analysis as well as on research reports on the company performance.

The table below shows the diversification of equity investments;

Sector	Group				Company			
	31.03.2015		31.03.2014		31.03.2015		31.03.2014	
	Rs.'000	%	Rs.'000	%	Rs.'000	%	Rs.'000	%
Banks, finance and insurance	228,447	49.3	640,114	83.9	221,184	50.7	640,114	83.9
Diversified holdings	162,375	35.0	36,813	4.8	142,464	32.6	36,813	4.8
Motor	70,333	15.2	56,378	7.4	70,333	16.1	56,378	7.4
Beverage food & tobacco	-	0.0	20,300	2.7	-	0.0	20,300	2.7
Power & energy	2,467	0.5	5,034	0.7	2,467	0.6	5,034	0.7
Manufacturing	-	0.0	4,167	0.5	-	0.0	4,167	0.5
Total	463,622	100.0	762,806	100	436,448	100.0	762,806	100

Sensitivity analysis

Financial assets available-for-sale represents investments in shares of quoted companies. The value of these investments are subject to the performance of investee company and the factors that effects the status of the stock market. The following table demonstrate the sensitivity to a reasonably possible change in the market index, with all other variables held constant, the group and the company's equity due to changes in the fair value of the listed equity securities.

The following table demonstrates the sensitivity to a reasonably possible change in the market index, with all other variables held constant of the Group and company's equity due to changes in the fair value of the listed equity securities.

	Change in the 31.03.2015 share price of all companies in which the group/company has invested	Group Effect on equity Rs.'000	Company Effect on equity Rs.'000
31 March 2015 - Available for sale financial assets	+ 5%	23,181	21,822
	- 5%	(23,181)	(21,822)

36.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the group's operations. The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance when this is effective.

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Compliance with group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the group.

36.5 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, capital is monitored on the basis of the gearing ratio.

No changes were made in objectives, policies or processes for managing capital during the years ended 31 March 2014 and 31 March 2015.

The group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. A net debt includes interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents.

		Group		Company	
		31.03.2015	31.03.2014	31.03.2015	31.03.2014
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Note		Restated		
Interest bearing loans and borrowings	29	1,105,227	751,500	462,785	100,700
Bank overdraft	26	113,364	159,507	111,194	141,401
Trade and other payable	32	1,212,873	775,400	923,184	442,483
Less: Cash and short term deposits	26	(216,543)	(207,835)	(177,676)	(162,290)
Net debt		2,214,921	1,478,572	1,319,487	522,294
Equity		10,435,571	8,097,177	8,962,571	6,647,534
Capital and net debt		12,650,492	9,575,749	10,282,058	7,169,828
Gearing ratio		0.18	0.15	0.13	0.07

36.6 Fair values

Fair values Vs. carrying amounts

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group - 31 March 2015		Carrying amount					Fair value			
	Note	Available-for-sale	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value										
Equity shares	22	463,622	-	-	-	463,622	463,622	-	-	463,622
Investments in unit trusts	22	-	1,402,850	-	-	1,402,850	-	1,402,850	-	1,402,850
		463,622	1,402,850	-	-	1,866,472	463,622	1,402,850	-	1,866,472
Financial assets not measured at fair value										
Trade & other receivables	24	-	-	1,699,247	-	1,699,247				
Cash & cash equivalents	26	-	-	216,543	-	216,543				
Amounts due from related parties	25	-	-	1,125	-	1,125				
		-	-	1,916,915	-	1,916,915				
Financial liabilities not measured at fair value										
Interest bearing borrowings	29	-	-	-	1,105,227	1,105,227				
Trade & other payables	32	-	-	-	1,212,873	1,212,873				
Amounts due to related parties	33	-	-	-	-	-				
Bank overdrafts	26	-	-	-	113,364	113,364				
		-	-	-	2,431,464	2,431,464				

Group - 31 March 2014		Carrying amount					Fair value			
	Note	Available-for-sale	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value										
Equity shares	22	762,806	-	-	-	762,806	762,806	-	-	762,806
Investments in unit trusts	22	-	703,552	-	-	703,552	-	703,552	-	703,552
		762,806	703,552	-	-	1,466,358	762,806	703,552	-	1,466,358
Financial assets not measured at fair value										
Trade & other receivables	24	-	-	1,438,365	-	1,438,365				
Cash & cash equivalents	26	-	-	207,835	-	207,835				
Amounts due from related parties	25	-	-	6,561	-	6,561				
		-	-	1,652,761	-	1,652,761				
Financial liabilities not measured at fair value										
Interest bearing borrowings	29	-	-	-	751,500	751,500				
Trade & other payables	32	-	-	-	775,400	775,400				
Amounts due to related parties	33	-	-	-	-	-				
Bank overdrafts	26	-	-	-	159,507	159,507				
		-	-	-	1,686,407	1,686,407				

The group has not disclosed the fair values for financial instruments such as trade & other receivables and payables because their carrying value is a reasonable approximation of fair values.

Company - 31 March 2015		Carrying amount					Fair value			
	Note	Available-for-sale	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value										
Equity shares	22	436,448	-	-	-	436,448	436,448	-	-	436,448
Investments in unit trusts	22	-	924,414	-	-	924,414	-	924,414	-	924,414
		436,448	924,414	-	-	1,360,862	436,448	924,414	-	1,360,862
Financial assets not measured at fair value										
Trade & other receivables	24	-	-	1,279,659	-	1,279,659				
Cash & cash equivalents	26	-	-	177,676	-	177,676				
Amounts due from related parties	25	-	-	15,193	-	15,193				
		-	-	1,472,528	-	1,472,528				
Financial liabilities not measured at fair value										
Interest bearing borrowings	29	-	-	-	462,785	462,785				
Trade & other payables	32	-	-	-	923,184	923,184				
Amounts due to related parties	33	-	-	-	67,714	67,714				
Bank overdrafts	26	-	-	-	111,194	111,194				
		-	-	-	1,564,877	1,564,877				

36 FINANCIAL INSTRUMENTS CONTD.

36.6 Fair values contd.

Company - 31 March 2014		Carrying amount					Fair value			
	Note	Available-for-sale	Fair value through profit or loss	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets measured at fair value										
Equity shares	22	762,806	-	-	-	762,806	762,806	-	-	762,806
Investments in unit trusts	22	-	503,552	-		503,552	-	503,552	-	503,552
		762,806	503,552	-	-	1,266,358	762,806	503,552	-	1,266,358
Financial assets not measured at fair value										
Trade & other receivables	24	-	-	951,562	-	951,562				
Cash & cash equivalents	26	-	-	162,290	-	162,290				
Amounts due from related parties	25	-	-	24,868	-	24,868				
		-	-	1,138,720	-	1,138,720				
Financial liabilities not measured at fair value										
Interest bearing borrowings	29	-	-	-	100,700	100,700				
Trade & other payables	32	-	-	-	442,483	442,483				
Amounts due to related parties	33	-	-	-	117,820	117,820				
Bank overdrafts	26	-	-	-	141,401	141,401				
		-	-	-	802,404	802,404				

The company has not disclosed the fair values for financial instruments such as trade & other receivables and payables because their carrying value is a reasonable approximation of fair values.

The following table shows the valuation technique used in measuring level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investments in unit trusts	Fair value of unit price is based on net asset value of unit trust published	Based on published net asset values.	The estimated fair value would increase (decrease) if: The published net asset values were higher (lower)

36.7 Financial assets by fair value hierarchy

Fair value of financial instruments are based on a fair value hierarchy which is defined below.

Level 1

Inputs that are quoted market prices (unadjusted) in active market for identical instruments. The company measures the fair value of an instrument using active quoted prices or dealer price quotations without any deductions for transaction cost. Market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions and arm's length basis.

Level 2

Input other than quoted prices included within level one that are observable either directly or indirectly. This category includes instruments valued using ; quoted market prices in an active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or valuation techniques in which whole significant inputs are directly or indirectly observable from market data.

Level 3

The input that are unobservable. This category included all the instruments for which valuation techniques includes input not based on observable data and the unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted prices for similar instrument's for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

37 CONTINGENT LIABILITIES

37.1 As per the sale and purchase agreement dated 21 February 2011 between United Motors Lanka PLC and Janashakthi Ltd, the company offered a guarantee that agreed to settle and / or mitigate any liability that may arise on Orient Finance PLC with regard to NDB Bank PLC claim over equipment taken on hire purchase agreement by the lessee of Orient Financial Services Corporation Ltd.

37.2 Corporate guarantees Issued to subsidiaries and equity accounted investees are given below.

Corporate guarantees issued to subsidiaries

Name of Company	Name of Bank	Facility	Limit Rs.'000	Outstanding as at 31.03.2015 Rs.'000	Outstanding as at 31.03.2014 Rs.'000
Orient Motor Company Ltd	Commercial Bank of Ceylon PLC	Overdraft	15,000	-	14,232
	Commercial Bank of Ceylon PLC	Term loan	500,000	600,000	-
	Hatton National Bank PLC	Term loan	210,000	-	-
	Sampath Bank PLC	Overdraft	25,000	-	11,236
	Sampath Bank PLC	Term loan	250,000	40,100	218,000
Unimo Enterprises Ltd	Sampath Bank PLC	Letter of credit	325,000	64,432	-
	Commercial Bank of Ceylon PLC	Letter of credit	130,000	65,721	72,975
	Standard Chartered Bank	Letter of credit	110,000	29,280	-

Corporate guarantees issued to equity accounted investees
Issued by United Motors Lanka PLC

Name of Company	Name of Bank	Facility	Limit Rs.'000	Outstanding as at 31.03.2015 Rs.'000	Outstanding as at 31.03.2014 Rs.'000
TVS Automotives (Pvt) Ltd	Hatton National Bank PLC	Overdraft	10,000	-	10,000
		Term loan	60,000	6,529	50,000

Issued by TVS Lanka (Pvt) Ltd

Name of Company	Name of Bank	Facility	Limit Rs.'000	Outstanding as at 31.03.2015 Rs.'000	Outstanding as at 31.03.2014 Rs.'000
TVS Automotives (Pvt) Ltd	Hatton National Bank PLC	Overdraft	20,000	19,216	20,000
		Term loan	130,000	122,472	125,000
	DFCC Vardhana Bank PLC	Overdraft	20,000	15,209	20,000
		Term loan	80,000	40,447	20,000
	Commercial Bank of Ceylon PLC	Overdraft	10,000	15,254	10,000
		Term loan	40,000	-	40,000

37 CONTINGENT LIABILITIES CONTD.

37.3 Unimo Enterprises Ltd has issued a letter of guarantee to Director General of Customs valid from 23 February 2015 to 23 January 2016 with regard to import of body shells and related spare parts.

37.4 Tax assessments

The Department of Inland Revenue has raised income tax assessments for the years of assessment 2009/10 and 2010/11 (United Motors Lanka PLC & TVS Lanka (Pvt) Ltd have been assessed for both years while Unimo Enterprises Ltd has been assessed for 2009/10) on the basis two third of the NBT paid at the point of importation is a disallowable expenditure. The total liability on the basis of the assessment excluding penalty is 62.4 Mn. The breakdown of such liability is as follows:

United Motors Lanka PLC	- Rs.26.1 Mn,
TVS Lanka (Pvt) Ltd	- Rs. 32.5 Mn,
Unimo Enterprises Ltd	- Rs. 3.8 Mn adjustment in tax loss

The Commissioner General of Inland Revenue has determined the appeals made against the assessments issued for the year of assessment 2009/2010 in favour of the Department of Inland Revenue.
Respective companies have appealed to the Tax Appeals Commission against the determination of the Commissioner General.
As the Tax Appeals Commission has not heard this matter up to date and has not made any determination on this matter, companies have not made any provision for the liability in the accounts. In any event companies are in the strong footing that the assessed liability is not payable.

38 RELATED PARTY DISCLOSURES

The company carries out transaction in the ordinary course of business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 (LKAS) "Related Party Disclosures" on an arm's length basis, the details of which are reported below.

38.1 Parent and ultimate controlling party

The company does not have an identifiable parent entity of its own.

38.2 Transaction with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard, LKAS 24 "Related Party Disclosures" , Key Management Personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Directors of the company and the senior management of the company have been classified as KMP of the company.

As the company is the ultimate parent of it's subsidiaries listed out in note 20, and the Board of Directors of the company have the authority and responsibility for planning, directing and controlling the activities of subsidiaries, the Directors of the company and the common Directors of the joint venture and the senior management of the group entities have been identified as the KMP of the group.

The officers who are Directors only of the subsidiaries and joint venture and are not of the company have been classified as KMP of the respective subsidiaries or joint venture only.

38.2.1 Compensation to KMP

	Group		Company	
	2015 Rs.'000	2014 Rs.'000 Restated	2015 Rs.'000	2014 Rs.'000
Short term employment benefits	182,025	136,384	154,730	117,513
	182,025	136,384	154,730	117,513

In addition to their salaries / fees the company provides non cash benefits to KMP. The company also contributes to a post employment defined benefit plan on behalf of the KMP.

38.3 Transactions with subsidiaries and equity accounted investees

Company	Transaction Type	2014 / 2015 Rs.'000	2013 / 2014 Rs.'000
UML Property Developments Ltd (UMPDL)	Rentals paid for premises occupied	76,361	69,574
	Dividend received	60,000	54,000
Orient Motor Company Ltd	Sale of motor vehicles	-	72,061
	Sale of lubricants	410	412
	Repairs & services provided	53,852	64,611
	Interest received	170	9,613
	Dividend received	-	3,574
	Expenses incurred	14,630	23,977
	Reimbursement of expenses	1,697	-
	Hiring income received	863	--
	Hiring rentals paid for vehicles	63,908	69,337
	Rentals received for premises occupied	14,323	3,676
	Loans granted	80,200	1,084,000
	Loan settlements	80,200	1,084,000
Unimo Enterprises Ltd	Purchase of motor vehicles	4,805	-
	Purchase of spare parts	184,022	314,329
	Purchase of tyres	3,170	3,266
	Repairs & services provided	62,110	89,989
	Interest paid	-	18
	Interest received	-	4,815
	Expenses incurred	45,882	62,304
	Hiring income received	452	348
	Rentals received for premises occupied	7,739	9,557
	Loans obtained	-	20,000
	Loans granted	-	956,000
	Loan settlements	-	956,000
	Dividend received	-	37,400
UML Agencies & Distributors (Pvt) Ltd	Loans obtained	919	-
	Loan settlements	919	-
TVS Lanka (Pvt) Ltd	Purchase of motor bikes	989	1,619
	Repairs & services provided	4,064	355
	Repairs & services obtained	570	496
	Interest received	-	16
	Expenses incurred	2,113	1,804
	Income on legal services	217	-
	Hiring income received	75	-
	Rentals received for premises occupied	-	650
	Dividend received	5,775	1,750
TVS Automotives (Pvt) Ltd	Repairs & services provided	19	21
	Interest received	133	797
	Expenses incurred	1,677	1,558
	Rentals received for premises occupied	1,686	1,536
	Loans obtained	-	9,000
	Loan settlements	-	9,000
TVS Auto Parts (Pvt) Ltd	Expenses incurred	-	29

38 RELATED PARTY DISCLOSURES CONTD.

38.4 Transactions between subsidiaries / equity accounted investees

38.4.1 Unimo Enterprises Ltd

Company	Transaction Type	2014 / 2015 Rs.'000	2013 / 2014 Rs.'000
UML Agencies & Distributors (Pvt) Ltd	Expenses incurred	-	49
Orient Motor Company Ltd	Sale of motor vehicles	-	16,071
	Expenses incurred	7,330	14,039
	Reimbursement of expenses	2,052	-
	Hiring rentals paid for vehicles	8,066	8,258
	Interest received	1,740	814
	Loans granted	139,000	225,000
	Loan settlements	139,000	225,000
TVS Lanka (Pvt) Ltd	Purchase of motor bikes	-	843
	Repairs & services obtained	182	147
	Parking fee received	112	-
TVS Automotives (Pvt) Ltd	Expenses incurred	70	124

38.4.2 Orient Motor Company Ltd

Company	Transaction Type	2014 / 2015 Rs.'000	2013 / 2014 Rs.'000
TVS Lanka (Pvt) Ltd	Purchase of motor vehicles (motor bikes)	-	454
	Repairs & services obtained	40	-
UML Property Developments Ltd	Expenses incurred	90	97

38.4.3 TVS Lanka (Pvt) Ltd

Company	Transaction Type	2014 / 2015 Rs.'000	2013 / 2014 Rs.'000
TVS Automotives (Pvt) Ltd	Purchase of tyres	-	1,218
	Purchase of lubricants	-	23,373
	Repairs & services provided	17	39
	Interest received	4,123	19,090
	Expenses incurred	2,815	805
	Vehicle hiring income received	-	873
	Loans granted	23,000	9,000
	Loan settlements	23,000	9,000
TVS Auto Parts (Pvt) Ltd	Loans granted	-	31,000
	Loan settlements	250	2,150
	Interest received	1,434	2,217
	Expenses incurred	604	805
	Dividend received	-	2,197

38.5 Transactions with other related entities

Company	Name of Director	Position	Transaction Type	2014 / 2015 Rs.'000	2013 / 2014 Rs.'000
Readywear Industries (Pvt) Ltd	Ms. A. H. Fernando	Director	Sale of motor vehicles	1,078	-
			Sale of spare parts	-	16
			Repairs & services provided	600	813
Watawala Plantations PLC	Mr. Sunil G. Wijesinha	Chairman	Repairs & services provided	4,079	2,713
Employers Federation of Ceylon*	Mr. Sunil G. Wijesinha	Chairman/ Member of Board of Trustees	Repairs & services provided	31	-
			Membership subscription	366	-
			Services obtained	200	-
			Donations paid	5	-
National Development Bank PLC**	Mr. Sunil G. Wijesinha	Chairman	Repairs & services provided	1,068	297
National Chamber of Commerce of Sri Lanka**	Mr. Sunil G. Wijesinha	President	Membership subscription	20	-
			Services obtained	11	-
Janashakthi General Insurance Ltd	Mr. D. E. I. Perera	Director	Insurance premium paid	11,197	
Janashakthi Insurance PLC	Mr. D. E. I. Perera	Director	Insurance premium paid	36,942	-
			Repairs & services provided	6,951	
			Sale of spare parts	4,281	-
M & E (Pvt) Ltd	Mr. D. E. I. Perera	Director	Services obtained	69	-
R I L Property (Pvt) Ltd	Ms. A. H. Fernando	Director	Sale of motor vehicles	-	5,555
Sampath Bank PLC	Prof. M. Ranasinghe	Director	Repairs & services provided	564	-

*Mr. Sunil G. Wijesinha seized to be the Chairman of Employers Federation of Ceylon with effect from 12 November 2014. However, he continues to be a Member of Board of Trustees of Employers Federation of Ceylon.

**Transactions with National Chamber of Commerce of Sri Lanka and National Development Bank PLC have been disclosed up to 20 January 2015 and 27 March 2015 respectively, i.e. till Mr. Sunil G. Wijesinha resigned as President / Chairman from the said institutions.

39 CONSOLIDATION

The consolidated financial statements of the company's shareholding as at 31 March 2015 are in the proportions indicated below.

	Ownership interest 2014/2015	2013/2014
Subsidiary		
Unimo Enterprises Ltd	100%	100%
UML Property Developments Ltd.	100%	100%
Orient Motor Company Ltd.	100%	100%
UML Agencies & Distributors (Pvt) Ltd	-	100%
Equity accounted investees		
TVS Lanka (Pvt) Ltd*	50%	50%

During the year under review UML Agencies & Distributors (Pvt) Ltd has paid back Rs.919,148 to United Motors Lanka PLC as return of its investment. This amounts to a loss of Rs. 80,872. Steps have been initiated to strike off UML Agencies and Distributors (Pvt) Ltd (the "UAD"), from the register maintained by the Registrar-General of Companies, under section 394 of the Companies Act No. 07 of 2007 (as amended). Such action has been taken since UAD has been dormant since the year 2004.

*TVS Automotives (Pvt) Ltd is a fully owned subsidiary of TVS Lanka (Pvt) Ltd. TVS Lanka (Pvt) Ltd held 65% of TVS Auto Parts (Pvt) Ltd and the investment was divested on 9 October 2014.

Group has no non-controlling interest to be reported as all its subsidiaries are fully owned

39 CONSOLIDATION CONTD.

Analysis of consolidated profit after income tax expense

	Group 2014/2015 Rs.'000	Group 2013/2014 Rs.'000 Restated
Parent company	1,236,867	1,482,765
Subsidiaries	22,493	206,988
Equity accounted investees	61,829	18,616
	1,321,189	1,708,369
Inter-company elimination	(58,857)	(100,648)
Consolidated profit after tax expenses	1,262,332	1,607,721

40 EVENTS OCCURRING AFTER THE REPORTING PERIOD AND OTHER MATTERS

Dividends on ordinary shares

After satisfying the solvency test, in accordance with Section 57 of the Companies Act, No.07 of 2007, the Board of Directors recommended a final dividend of Rs. 4.00 per share for the year ended 31 March 2015 amounting to Rs. 403,602,504 which is to be approved at the forth coming Annual General Meeting. In accordance with LKAS 10 - "Events after the reporting period" this dividend was not recognised as a liability as at 31 March 2015.

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments or disclosures in the financial statements other than those disclosed above.

Other matters

Super Gains Tax

The interim budget proposal presented by the Minister of Finance on 29 January 2015 and the pursuant bill presented to the Parliament on 7 April 2015, impose a one off tax of 25% on taxable profits for the year of assessment 2013/14 on any company or each company in a group of companies, if the company's / Group's profit before income tax exceeds Rs. 2,000Mn. The impact to the company and the group will be assessed and if required provisions will be made when the bill is enacted.

41 COMPARATIVE INFORMATION

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation.

42 DIRECTORS RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were approved by the Board of Directors on 28 May 2015.

43 OPERATING SEGMENT

The group has the following operating segments that engages in business activities which offers different product and services and are managed separately by the group's management and internal reporting structure.

In Rs.'000	Spare parts		Vehicles		Repairs & services		Tyres		Lubricant & other services		Group	
	2014/ 2015	2013/ 2014 Restated	2014/ 2015	2013/ 2014 Restated	2014/ 2015	2013/ 2014 Restated	2014/ 2015	2013/ 2014 Restated	2014/ 2015	2013/ 2014 Restated	2014/ 2015	2013/ 2014 Restated
Revenue												
External - Sales	1,478,536	1,751,391	7,300,756	6,905,819	-	-	174,963	209,793	483,958	364,376	9,438,213	9,231,379
- Services/commission	-	-	561,605	1,347,160	537,997	460,974	-	-	379	1,281	1,099,981	1,809,415
Total revenue	1,478,536	1,751,391	7,862,361	8,252,979	537,997	460,974	174,963	209,793	484,337	365,657	10,538,194	11,040,794
Segment results	567,277	637,731	990,875	1,667,081	96,002	47,775	33,179	21,547	8,587	10,295	1,695,920	2,384,429
Unallocated income											91,603	31,821
Unallocated expenses											(537,323)	(486,163)
Profit from operations before finance cost											1,250,200	1,930,087
Net finance cost											312,259	224,212
Profit from operations											1,562,459	2,154,299
Share of profit / (loss) of equity accounted investees (net of income tax)											63,422	20,046
Profit before income tax expense											1,625,881	2,174,345
Income tax expenses											(363,549)	(566,624)
Profit from ordinary activities											1,262,332	1,607,721
Employee benefit plan actuarial gains / (loss)											15,100	(7,256)
Gain from revaluation of land											1,733,106	-
Deferred tax on actuarial gain on DBO											(3,335)	-
Equity accounted investees - share of OCI											126	3,242
Net change in fair value of available for sale financial assets											(63,531)	(2,686)
Net Profit attributable to equity holders of the parent											2,943,798	1,601,021
Segment assets	1,184,664	1,007,540	7,254,049	5,161,066	339,695	206,547	194,076	192,181	473,864	360,730	9,446,348	6,928,064
Unallocated assets											3,702,836	3,148,807
Total assets	1,184,664	1,007,540	7,254,049	5,161,066	339,695	206,547	194,076	192,181	473,864	360,730	13,149,184	10,076,871
Segment liabilities	13,147	131,374	781,631	214,525	6,348	7,864	9,370	10,464	-	-	810,496	364,227
Unallocated liabilities											1,903,117	1,615,467
Total liabilities	13,147	131,374	781,631	214,525	6,348	7,864	9,370	10,464	-	-	2,713,613	1,979,694
Segment capital expenditure - allocated	19,871	136,777	105,674	644,532	7,231	36,001	2,352	16,384	6,511	28,557	141,639	862,251
Depreciation & amortisation- allocated	19,295	18,456	102,602	86,968	7,021	4,858	2,283	2,211	6,320	3,854	137,521	116,347
Non cash expenses/(income)	16,089	15,330	(32,581)	16,567	994	(458)	872	2,036	14,103	15,913	(523)	49,388

Share Information

1. STOCK EXCHANGE LISTING

The issued ordinary shares of United Motors Lanka PLC, were listed with the Colombo Stock Exchange on 05 December 1989.

The Stock Exchange code for United Motors Lanka PLC is "UML". Details of trading activities are published in most of the daily newspapers, generally under the above abbreviation.

2. SUB DIVISION OF SHARES

The number of issued shares of the Company was increased by way of a sub division of shares, on the basis of one ordinary shares for every existing two ordinary shares without effecting any increase to the stated capital of the Company accordingly, the number of shares in issue as at 31 March 2015 is 100,900,626.

3. ANALYSIS OF SHAREHOLDERS

a) Resident /Non Resident as at 31 March 2015

Range of Shareholdings (No. of Shares)	Resident			Non -Resident			Total		
	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total holding	No. of share holders	No. of shares	% of total holding
Up to 1,000 shares	2,349	902,695	1.87	17	11,471	0.02	2,366	914,166	0.91
1,001 - 10,000	1,404	4,882,475	10.10	27	83,547	0.16	1,431	4,966,022	4.92
10,001 - 100,000	161	4,407,012	9.12	11	328,186	0.62	172	4,735,198	4.69
100,001 - 1,000,000	18	4,396,824	9.09	1	256,527	0.49	19	4,653,351	4.61
1,000,001 & Over	5	33,743,613	69.82	2	51,888,276	98.71	7	85,631,889	84.87
Total	3,937	48,332,619	100.00	58	52,568,007	100.00	3,995	100,900,626	100.00

(There were 3,438 resident shareholders and 63 non resident shareholders as at 31 March 2014)

b) Individuals/Institutions

	31 March 2015			31 March 2014		
	No. of shareholders	Total holding	% of Total holding	No. of shareholders	Total holding	% of Total holding
Individual	3,823	77,467,058	76.78	3,347	53,253,601	79.17
Institutions	172	23,433,568	23.22	154	14,013,483	20.83
Grand Total	3,995	100,900,626	100.00	3,501	67,267,084	100.00

c) Public Shareholding

	31.03.2015	31.03.2014	31.03.2013
Public Shareholding	27,083,420	18,154,758	20,166,672
Percentage	26.84	26.99	29.98

Public holding percentage as at 31 March 2015 comprises of 3,981 shareholders (3,501 shareholders as at 31 March 2014).

4. SHARE TRADING

	2014/15	2013/14	2012/13
Market			
Number of transactions	2,015,482	1,473,729	1,601,463
Number of shares traded	16,609,902,380	9,790,011,926	9,067,929,398
Value of shares traded (Rs. Mn)	354,544	195,507	189,717
Market days	239	243	239
Company			
Number of transactions	6,492	2,750	5,628
Number of shares traded	8,792,300	21,951,785	5,170,568
Value of shares traded (Rs. Mn)	992	2,557	439.4
Market days	235	227	236

5. MARKET CAPITALIZATION AND MARKET PRICES

a) Market capitalization

Year	Ordinary shares in issue (Mn)	UML market capitalisation Rs.(Mn)	CSE market capitalization Rs.(Bn)	As a % of CSE market	Market capitalization rank
2014/2015	100.90	8,889.34	2,891.17	0.31	63
2013/2014	67.26	8,273.85	2,498.0	0.33	58
2012/2013	67.26	6,457.64	2,205.1	0.29	64

b) Market prices

	2014/2015	2013/2014	2012/2013
Highest (Rs.)	154.00	130.00	108.00
	(07.08.2014)	(31.01.2014)	(02.04.2012)
Lowest (Rs.)	88.00	95.50	64.60
	(31.03.2015)	(02.04.2013)	(27.07.2012)
Year End (Rs.)	88.10	123.00	96.00

6. DIVIDENDS

	2014/2015 Rs.	2013/2014 Rs.	2012/2013 Rs.
1st Interim dividend	2.00	3.00	3.00
2nd Interim dividend	-	3.00	3.00
Final dividend paid	-	6.00	4.00
Final dividend recommended	4.00	-	-
Total	6.00	12.00	10.00

7. VALUE CREATION FOR SHAREHOLDERS

	2014/2015	2013/2014	Change%
Net asset value per share (Rs.)	88.83	65.88	34.84
Earning per share (Rs.)	12.26	14.70	(16.60)
Market price per share - year end (Rs.)	88.10	123.00	(28.37)
Price earning ratio (times)	7.19	8.37	(14.10)
Return on equity(%) - After tax	13.80	22.31	(38.14)
Dividend pay out	65.26	88.44	(26.21)

8. TWENTY LARGEST SHAREHOLDERS

SHAREHOLDER	31 March 2015		31 March 2014	
	No. of shares	% of Total shareholding	No. of shares	% of Total shareholding
Mr. M.A. Yaseen	56,851,134	56.34	34,640,756	51.50
Mrs. R.R. Yaseen	10,767,210	10.67	7,178,140	10.67
Mrs. S. M. Chrysostom	6,945,471	6.88	4,630,314	6.88
Mitsubishi Motors Corporation	4,937,142	4.89	3,291,428	4.89
Readywear Industries Limited	4,899,132	4.86	6,526,088	9.70
Mr. C. Yatawara	1,231,800	1.22	765,714	1.14
Mr. H.A. Van Starrex	840,353	0.83	-	-
Capital Development & Investment Company PLC – A/C No. 2	604,209	0.60	402,806	0.60
Bank of Ceylon No. 1 Account	342,181	0.34	-	-
Mr. A.M. Weerasinghe	326,880	0.32	-	-
Deutsche Bank AG Singapore Branch	256,527	0.25	119,700	0.18
Mr. S.D. Yaseen	243,300	0.24	162,200	0.24
Bank of Ceylon A/C Eagle Growth Fund	225,175	0.22	163,450	0.24
Mrs. S.T. Xavier	215,185	0.21	168,780	0.25
Hatton National Bank PLC A/C No. 5 (Trading portfolio)	187,643	0.19	-	-
Waldock Mackenzie Ltd / Hi -Line Trading (Pvt) Ltd	165,354	0.16	166,366	0.25
Mrs. J.D. De Silva Sugathapala	161,483	0.16	144,251	0.21
Mr. J. A. Yaseen	156,177	0.15	-	-
Mr. P. Rathnayaka	156,000	0.15	-	-
Ms. R. Suhayd	151,000	0.15	-	-
*Others (shareholders under 20 largest shareholders as at 31 March 2014)			2,391,378	3.57
Total	89,663,356	88.83	60,751,371	90.62

**Comparative shareholding as at 31 March 2014 of the twenty largest shareholders as at 31 March 2015.Please refer 8.1 for details*

8.1 Shareholders included in the twenty largest shareholding as at 31 March 2014

Shareholding as at 31 March 2014	No. of shares	% of Total shareholding
Jacey Trust Services (Private) Ltd-Account No 4	758,516	1.13
Janashakthi Insurance PLC	464,000	0.69
Employees Trust Fund Board	408,100	0.61
NDB Aviva Wealth Management Ltd S/A Hatton National Bank PLC	279,762	0.42
Deutsche Bank AG as Trustee to Candor Sharia Fund	200,000	0.30
Deutsche Bank AG as Trustee to Candor Growth Fund	170,000	0.25
HSBC INTL NOM Ltd BP2S Singapore-BNP Paribas Bank and Trust	111,000	0.17
Total	2,391,378	3.57

9. DIRECTOR'S SHAREHOLDING

Name of Directors	No. of shares as at 01 April 2014	% of Total holding	Movement during the year	No. of shares as at 31 March 2015	% of Total holding
Mr. Sunil G. Wijesinha	-	-	-	-	-
Mr. C. Yatawara	765,714	1.14	466,086	1,231,800	1.220
Mr. A.W. Atukorala	1,200	less than 0.01	1,800	3,000	0.003
Mr. A.C.M. Lafir	-	-	14,224	14,224	0.014
Mr. R. H. Yaseen	-	-	10,620	10,620	0.011
Mrs. A. H. Fernando	-	-	-	-	-
Mr. M. Sawada	-	-	-	-	-
Mr. A.D.E.I. Perera	-	-	-	-	-
Prof. K.A.M.K Ranasinghe	-	-	-	-	-

Ten Year Summary - Group

(in Rs.'000)

Reported as per		SLFRS / LKAS			SLAS					
For the year ended 31 March	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
		Restated	Restated							
Turnover	10,538,194	11,040,794	14,941,189	20,816,341	10,935,116	5,829,410	7,280,837	8,395,149	6,745,137	4,716,833
Profit before taxation	1,625,881	2,174,345	2,702,651	3,193,694	1,374,720	134,041	(7,726)	848,507	700,652	433,089
Income tax	(363,549)	(566,624)	(689,737)	(911,162)	(473,178)	12,249	(74,706)	(328,824)	(271,882)	(140,758)
Profit for the year	1,262,332	1,607,721	2,012,914	2,282,532	901,542	146,290	(82,432)	519,683	428,770	292,331
Shareholders' funds										
Stated capital	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335	336,335	294,294
Capital reserve	2,956,382	1,223,276	1,223,276	1,218,974	1,218,974	1,244,755	408,908	408,908	408,908	450,950
Revenue reserves	7,142,854	6,537,566	5,811,016	4,261,260	2,422,654	1,588,827	1,477,478	1,695,326	1,278,075	925,070
Shareholders funds	10,435,571	8,097,177	7,370,627	5,816,569	3,977,963	3,169,917	2,222,721	2,440,569	2,023,318	1,670,314
Non controlling interests	-	-	-	10,900	9,615	8,325	7,367	96,797	105,142	94,869
	10,435,571	8,097,177	7,370,627	5,827,469	3,987,578	3,178,242	2,230,088	2,537,366	2,128,460	1,765,183
Assets employed										
Current assets	7,281,121	5,685,356	5,143,081	7,818,347	4,034,184	3,820,047	4,619,698	4,432,527	3,450,938	2,457,803
Current liabilities	2,532,239	1,805,828	1,696,197	4,497,424	2,105,844	2,674,371	4,041,418	4,012,950	3,117,485	2,282,246
Working capital	4,748,882	3,879,528	3,446,884	3,320,923	1,928,340	1,145,676	578,280	419,577	333,453	175,557
Property, plant & equipment	4,631,451	2,898,022	2,156,040	2,131,516	2,049,552	1,991,921	1,184,823	1,238,067	1,306,542	1,326,327
Intangible assets	5,688	7,498	10,645	29,744	20,970	24,391	17,456	15,435	15,435	15,435
Net Lease rental receivable	-	-	-	-	-	253,745	1,371,104	2,032,917	1,984,233	1,540,876
Investments In equity accounted investees	632,183	574,365	552,544	-	-	-	-	-	-	-
Other investments	463,622	762,806	1,212,552	366,757	-	31	31	31	31	31
Defined benefit plan	111,086	108,614	96,758	83,110	74,827	74,232	62,628	51,911	-	-
Deferred tax assets	24,033	40,210	44,049	50,923	31,124	122,886	-	-	-	-
	5,868,063	4,391,515	4,072,588	2,662,050	2,176,473	2,467,206	2,636,041	3,338,362	3,306,241	2,882,669
Non-current liabilities	(181,374)	(173,866)	(148,845)	(155,504)	(117,235)	(434,640)	(984,234)	(1,220,572)	(1,511,234)	(1,266,043)
Net assets	10,435,571	8,097,177	7,370,627	5,827,469	3,987,578	3,178,242	2,230,087	2,537,367	2,128,460	1,792,183
Profitability										
Earnings per share (Rs.)*	12.51	15.93	19.95	22.62	8.93	1.45	(0.82)	5.15	4.25	2.89
Net assets per share * at year end (Rs.)	103.42	80.25	73.05	57.65	39.42	31.42	22.03	24.19	20.05	16.55
Return on average Net assets (%)	12.10	19.86	27.31	39.16	22.61	4.60	(3.69)	20.48	20.14	16.56
Other										
Market price per share (Rs)	88.10	123.00	96.00	108.00	152.2	90.00	33.50	53.75	80.00	80.00
Price earnings ratio	7.04	7.72	4.81	3.18	11.41	41.66	(13.51)	3.42	6.43	9.31
Annual sales growth (%)	(4.55)	(26.10)	(28.22)	90.36	87.59	(19.93)	(13.27)	24.46	43.00	37.13
Current ratio times	2.88	3.15	3.03	1.74	1.92	1.43	1.14	1.10	1.11	1.08

* Net assets per share and earnings per share have been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2015

Investor Information

Year		Shares at the beginning	Issued during the year (Nos.)	Stated Capital (Rs.)	Market Value Per Share (Rs.)
1990/1991		10,000,000	-	100,000,000	23.75
1991/1992		10,000,000		100,000,000	53.00
1992/1993	Issued through Share Trust Scheme to Employees	10,000,000	90,266	100,902,660	35.00
1993/1994	Issued through Share Trust Scheme to Employees	10,090,266	91,230		
	Bonus issue 1:5		2,036,300	122,177,960	60.00
1994/1995		12,217,796	-	122,177,960	27.50
1995/1996		12,217,796	-	122,177,960	31.50
1996/1997	Issued through Share Trust Scheme to Employees	12,217,796	53,319		
	Bonus issue 1:5		2,443,560	147,146,750	32.00
1997/1998		14,714,675		147,146,750	41.50
1998/1999		14,714,675		147,146,750	32.50
1999/2000		14,714,675		147,146,750	31.25
2000/2001		14,714,675		147,146,750	28.00
2001/2002		14,714,675		147,146,750	32.00
2002/2003	Bonus issue 1:1	14,714,675	14,714,675	294,293,500	31.00
2003/2004		29,429,350		294,293,500	28.00
2004/2005		29,429,350		294,293,500	51.75
2005/2006		29,429,350		294,293,500	80.00
2006/2007	Bonus issue 1:7	29,429,350	4,204,192	336,335,420	80.00
2007/2008		33,633,542		336,335,420	53.75
2008/2009		33,633,542		336,335,420	33.50
2009/2010		33,633,542		336,335,420	90.00
2010/2011	Subdivision of shares - one share for every existing ordinary share	33,633,542	33,633,542	336,335,420	152.20
2011/2012		67,267,084		336,335,420	108.00
2012/2013		67,267,084		336,335,420	96.00
2013/2014		67,267,084		336,335,420	123.00
2014/2015	Subdivision of shares - one share for every existing two ordinary shares	67,267,084	33,633,542	336,335,420	88.10

Glossary of Financial Terms

ACCOUNTING POLICIES
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting financial statements.

ACCRUAL BASIS
Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

ACTUARIAL GAINS AND LOSSES
Is the effect of difference between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

AMORTISATION
The systematic allocation of the depreciable amount of an asset over its useful life.

AMORTISED COST
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

AVAILABLE FOR SALE FINANCIAL ASSETS
Available for sale financial assets are those non derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

CAPITAL RESERVES
Reserves identified for specific purposes and considered not available for distribution.

COLLECTIVELY ASSESSED LOAN IMPAIRMENT PROVISIONS
Impairment assessment on a collective basis for receivables with similar risk characteristics that are not considered individually significant and to cover losses that has been incurred but has not yet been identified at the reporting date.

CONTINGENCIES
Conditions or situations at the reporting date, the financial effect of which are to be determined by the future events which may or may not occur.

CURRENT RATIO
Current assets divided by current liabilities.

CURRENT SERVICE COST
Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

DEFERRED TAXATION
Sum set aside for income tax in the Financial Statements that may become payable/receivable in a financial year other than the current financial year.

DEPRECIATION
The systematic allocation of the depreciable amount as an asset over its useful life.

DIVIDEND COVER
Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current years' distributable profits.

DIVIDEND PAYOUT
Dividend per share as a percentage of the earnings per share.

DIVIDEND YIELD
Dividend earned per share as a percentage of its market value.

EARNINGS PER ORDINARY SHARE
Profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

EFFECTIVE TAX RATE
Provision for taxation excluding deferred tax divided by the profit before taxation.

EQUITY METHOD
Is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investee's other comprehensive income includes its share of the investee's other comprehensive income.

FAIR VALUE
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE THROUGH PROFIT AND LOSS
A financial asset/liability acquired/ incurred principally for the purpose of selling or repurchasing it in the near term, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or a derivative (except for a derivative that is a financial guarantee contract)

FINANCIAL INSTRUMENT
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

FINANCIAL ASSET
Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

FINANCIAL LIABILITY
Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

GEARING
Proportion of total interest bearing borrowings to capital employed.

HELD TO MATURITY INVESTMENTS
Debt assets acquired by the entity with positive intention to be held to maturity.

IMPAIRMENT
This occurs when recoverable amount of an asset is less than its carrying amount.

INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

INTEREST COVER

A ratio showing the number of times interest charges is covered by earnings before interest and tax.

INVESTMENT PROPERTIES

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use or sale.

JOINT CONTROL

Joint control is the contractually agreed sharing of the control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

JOINT VENTURE

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

LIQUID ASSETS

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills & Bonds.

MARKET CAPITALISATION

Number of ordinary shares in issue multiplied by the market value of a share as at a date.

MATERIALITY

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

NET ASSET VALUE PER SHARE

Shareholders’ funds divided by the number of ordinary shares in issue.

NON-CONTROLLING INTEREST

Equity in a subsidiary not attributable directly or indirectly to a parent.

PARENT

A parent is an entity that has one or more subsidiaries.

PRICE EARNINGS RATIO

Market price of a share divided by earnings per share as reported at that date.

PUBLIC HOLDING

Percentage of shares held by the public calculated as per the listing rules of Colombo Stock Exchange as of the date of the report.

RELATED PARTIES

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

RETIREMENT BENEFIT-PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

Is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

SHAREHOLDERS’ FUNDS

Shareholders’ funds consist of stated capital, statutory reserves, capital and revenue reserves.

SPECIFIC IMPAIRMENT PROVISIONS

Impairment is measured individually for receivables that are individually significant.

Notice of Meeting

Notice is hereby given that the Twenty Sixth Annual General Meeting of United Motors Lanka PLC will be held on Monday, 29 June 2015 at 10.30 a.m. at the Winchester Ballroom, The Kingsbury, Colombo 01 for the following purposes;

01. To receive and consider the Audited Financial Statements for the year ended 31 March 2015 together with the Reports of the Directors and Auditors thereon.

02. To re-elect Prof. K. A. M. K. Ranasinghe, as a Director of the Company in terms of Article 89 of the Articles of Association of the Company.

03. To re-elect Mr. Sunil G. Wijesinha, who retires by rotation in terms of Article 83 of the Articles of Association of the Company.

04. To declare a Final Dividend of Rs. 4.00 per share for the year ended 31 March 2015 as recommended by the Directors.

05. To re-appoint the retiring Auditors M/s. KPMG, Chartered Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

06. To authorise the Board of Directors to determine and make donations for 2015/2016.

07. To consider any other business of which due notice has been given.

By Order of the Board

RMHisham

Mrs. R. M. Hisham
Company Secretary

Colombo
28 May 2015

NOTES

- Any member of the Company who is entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him/her.

- To be valid the completed form of proxy must be deposited at the Registered Office of the Company situated at No. 100, Hyde Park Corner, Colombo 2 not less than forty eight (48) hours before the appointed hour of the meeting.

- A proxy need not be a member of the Company.

- A form of proxy is enclosed in this Report.

Proxy Form

I/We ....

of ..../

being a member/members of United Motors Lanka PLC, hereby appoint ....

.... of ....whom failing

1)	Sunil Gamini Wijesinha	of Colombo or failing him
2)	Chanaka Yatawara	of Colombo or failing him
3)	Ananda Wijetilake Atukorala	of Colombo or failing him
4)	Aashiq Carder Mohamed Lafir	of Colombo or failing him
5)	Ramesh Hiran Yaseen	of Colombo or failing him
6)	Ladduwa Kovisge Anne Hiroshini Fernando	of Colombo or failing her
7)	Atulligamage Damian Eardley Ignatius Perera	of Colombo or failing him
8)	Kulatilleke Arthanayake Malik Kumar Ranasinghe	of Colombo

as my/our proxy to represent me/us and*.. to vote on my/ our behalf at the Twenty Sixth Annual General Meeting of the Company to be held on 29 June 2015 at 10.30 a.m. at the Winchester Ballroom, The Kingsbury, Colombo 01 and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:-

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors, the Audited Balance Sheet and Accounts of the Company for the year ended 31 March 2015 and Report of the Auditors thereon.		
2.	(i) To re-elect Prof. K. A. M. K. Ranasinghe, as a Director of the Company.		
	(ii) To re-elect Mr. Sunil G. Wijesinha, as a Director of the Company.		
3.	To declare a Final Dividend of Rs. 4.00 per share for the year ended 31 March, 2015		
4.	To re-appoint the retiring Auditors M/s KPMG, Charted Accountants, to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to determine their remuneration		
5.	To authorize the Directors to determine donations for 2015/2016		

Signed on this .... day of .... Two Thousand and Fifteen

....

Signature/s

**If you wish your Proxy to speak at the meeting you should insert the words "to speak and" in the place indicated and initial such insertion.*

NOTES:

Please indicate with a "x" in the space provided how your Proxy is to vote. If there is in the view of the Proxyholder doubt (by reason of the way in which the instructions contained in the proxy have been completed) as to the way in which the Proxyholder should vote, the Proxyholder shall vote as he thinks fit.

Instructions as to completion appear overleaf

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy, after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.

2. If you wish to appoint any person other than Directors as your proxy, please insert the relevant details in the space provided overleaf.

3. In terms of Article 66 of the Articles of Association of the Company:

(i) in the case of an individual shall be signed by the Appointer or his Attorney; and

(ii) in the case of a company or a corporate body shall be either under its common seal or signed by its Attorneys or by an Officer on behalf of such entity.

4. In terms of Article 61 of the Articles of Association of the Company in the case of joint-holders of a share the senior who tenders the vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

5. To be valid the completed form of proxy must be deposited at the Registered Office of the Company situated at No. 100, Hyde Park Corner, Colombo 2 not less than forty eight (48) hours before the appointed hour of the meeting.

Corporate Information

NAME OF COMPANY
United Motors Lanka PLC

LEGAL FORM
A Public Limited Liability Company incorporated in Sri Lanka on 9 May 1989.

LISTED WITH THE COLOMBO STOCK EXCHANGE
5 December 1989

COMPANY REGISTRATION NUMBER
PQ -74

REGISTERED OFFICE
100, Hyde Park Corner, Colombo 02

HEAD OFFICE
P.O. Box 697, 100, Hyde Park Corner,
Colombo 02
Tel: 4797200, 4696333, 2448112
Fax: 2448113
www.unitedmotors.lk

AUDITORS
KPMG
32A, Sir Mohammed Macan Markar
Mawatha,
Colombo 3.

REGISTRARS
P. W. Corporate Secretarial (Pvt) Ltd,
3/17, Kynsey Road, Colombo 08.
Tel: 4640360/3
Fax 4740588

BANKERS
Bank of Ceylon
Commercial Bank PLC
Hatton National Bank PLC
National Development Bank PLC
People's Bank
Sampath Bank PLC
Standard Chartered Bank
Hongkong & Shanghai Banking Corporation Limited
Nations Trust Bank PLC
Pan Asia Bank PLC
DFCC Vardhana Bank
Seylan Bank PLC

BOARD OF DIRECTORS
Chairman
Mr. Sunil G. Wijesinha

Group Chief Executive Officer/
Executive Director
Mr. C. Yatawara

Directors
Mr. A.W. Atukorala
Mr. A.C.M. Lafir
Mr. R.H. Yaseen
Mrs. A.H. Fernando
Mr. M. Sawada
Mr. A. D. E. I. Perera
Prof. K. A. M. K. Ranasinghe

Secretary
Mrs. R.M. Hisham

Audit Committee
Chairperson
Mrs. A.H. Fernando

Mr. Sunil G. Wijesinha
Mr. A.W. Atukorala

Remuneration Committee
Chairman
Mr. Sunil G. Wijesinha

Mr. A.W. Atukorala
Mrs. A.H. Fernando

Nomination Committee
Chairman
Mr. Sunil G. Wijesinha

Mr. A.W. Atukorala
Mr. C. Yatawara
Mrs. A.H. Fernando

Related Party Transactions Review Committee
Chairman
Mr. A.W. Atukorala

Mr. Sunil G. Wijesinha
Mr. C. Yatawara
Mr. A.C.M. Lafir
Mrs. A.H. Fernando

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